HYDRO ELECTRIC INQUIRY COMMISSION

TORONTO, NOVEMBER 7TH, 1922.

RURAL LINES AND RATES

W. C. Coo,
Official Reporter

ST. LAWRENCE HEARING

Attention is drawn to evidence of Mr.J.W.McLeod, M.P.P. at Pages 1002 to 1008 (inclusive) and the evidence of Mr.W.H.Casselman,M.P.P. at Pages 971 to 974 (inclusive) which evidence is material to the Hearing at Cornwall on Friday,1st Dec. 1922.

THE HYDRO ELECTRIC INQUIRY COMMISSION.

TORONTO, NOVEMBER, 7th, 1922.

INDEX.

RURAL LINES AND RATES.

THE HYDRO ELECTRIC POWER COMMISSION.

TORONTO, NOVEMBER 3, TH, 1922.

I N D E X.

WEEKLY LETTER, 1ST R.MPC.

INDEX (Cont'd)

I N D E X (Cont'd)

INDEX (Cont'd.)

I N D E X (Cont'd.)

INDEX (Cont'd.)

INDEX (Cont'd.)

I N D E X (Cont'd.)

THE HYDRO ELECTRIC INQUIRY COMMISSION.

Toronto, November 7th, 1922, 10.30 a.m.

RURAL LINES AND RATES.

Present:

W. D. GREGORY, Esq., CHAIRMAN,
M. J. HANEY, Esq., COMMISSIONER,
LLOYD HARRIS, Esq., COMMISSIONER,
J. A. ROSS, Esq., COMMISSIONER,
R. A. ROSS, Esq., COMMISSIONER.

J. H. W. BOWER, Secretary.

Reported by W. C. COO.

R. T. JEFFERY, Esq., representing Ontario Hydro Electric Power Commission.

W. H. CASSELMAN, M.P.P.

THE CHAIRMAN : The Commission has been requested to have a hearing on rural lines and rural rates, and we have asked Mr. Casselman, who has taken a leading part in the discussion in the past, to be present with others who are interested, and give us the benefit of their experience and knowledge and their opinions on the matter. I think, Mr. Casselman, it is unnecessary for us to lead you. We will let you go your own way and talk to us of your experience and knowledge in the matter.

MR. CASSELMAN : Mr. Chairman, I do not know whether that will be the safe course for you to take or not. I remember the other day when I was before the Commission, the Secretary asked me how long I would take, and I said

one hour, and it was two hours and a half. Of course there was a great deal said the other day that you would not want me to repeat today.

THE CHAIRMAN: We want a full statement from you on anything pertinent and bearing on this subject.

MR. CASSELMAN: The question of rural depopulation is a question that is occupying the attention of the economists now to a very great extent. Some say that the cause is economic, and others say that it is social. I think we all agree it is present with us, and it is a serious menace to the industrial well being of the Province. This question of rural depopulation is very closely allied, in my judgment, with the question of the distribution of electric light, heat and power in this Province, and after giving a great deal of study to the distribution of electric energy in the Province, I have arrived at the conclusion that the present system of distribution is not equitable, that it favours large centres and penalizes those who live in the small urban centres and rural districts, and I propose, Mr. Chairman, to endeavour to substantiate that claim. The principle of the distribution of power at cost, theoretically looks to be very fine but in its application, I say it is not equitable. To show you wherein it is not equitable, I propose to submit for your consideration some service bills of rural users of power, urban users of power in this Province and rural and urban users of power in the Province of Quebec. I have the receipted, original bills here. In order to make comparisons I have prepared here a sort of statement to which I will ask you to listen. I will leave it with the Commission when I am through and they can make whatever use they wish of it. Those bills you may examine though I want to return them later. The first customer's name

that I have here is my own. I live in an urban municipality, the village of Chesterville in the St.Lawrence Hydro District, and the bill I propose to deal with was rendered on May 15th, 1921, and I take my service from the Hydro Electric Commission. This bill was for two months' consumption. During those two months I used 316 kilowatt hours of electric energy. The rate for the first 270 k.w.h. was 12¢ per kilowatt hour, and for the balance of the service 6¢. After deducting 10% discount for prompt payment, the total net bill amounted to $31.65 or an average of 10¢ per kilowatt hour, for an urban user of power under Hydro practice.

COMMISSIONER J.A.ROSS: Are these prices net ?

A--Those are net. I have worked all these bills out so that we can compare them in terms of cost per kilowatt hour to the consumer. That is the last column.

COMMISSIONER R.A.ROSS: Have you got your floor rental in that ? A--Yes. Now, that bill was rendered on May 15th, and a month or so later the rate was increased, and applying the new rate to that consumption, the average cost per kilowatt hour would have been 11.7¢ - that is the bill of the urban user in a small urban centre.

COMMISSIONER HARRIS: Is that bill of yours for 1921 or 1922 ? A--1921. The Toronto bill is dated March 18th, 1921,and it is for service taken from the Hydro Electric Commission. There were 91 kilowatt hours consumed; the price for the first 78 kilowatt hours was 2¢ and for the balance 1¢, and the service charge of 78¢, that is 3¢ per 100 square foot. The net bill was $2.22, or an average of 2.4¢ per kilowatt hour. That is, a Toronto user of Hydro service pays 2.4¢ as against 11.7¢ for the urban user in a small centre in Eastern Ontario.

THE CHAIRMAN: Did you have the same floor space ?

A--Well, I paid service charge on the same basis. Before I go any further I want to make this observation: that I maintain, as a farmer I render as great a service to the State as this Toronto user of power and that I have as great an equity in the water falls as he has, that my property is held as security for the development of the Hydro to the same extent as his is, and I say that this illustrates that power at cost favours the individual in a large centre and penalizes the individual living in a small centre.

Q--Was your house much larger than this man's house ?

A--I do not know. He had 1300 square feet floor space.

Q--You are comparing the price per kilowatt hour ?

A--Yes, and that is, the kernel of the whole argument, in my judgment is the cost of the service.

The next two bills are users in Montreal. The first was dated March 29th, 1921. The service was delivered by the Westmount Light, Heat and Power Company; the consumption was 116 kilowatt hours for two months at 4½¢ plus a meter rental of 30¢; the net bill was $5.81, and the average cost per kilowatt hour 5¢. There is a bill that would compare with the Toronto bill, where the service cost was 2.4 as against 5¢ in Montreal.

The next bill is that of a Montreal user. This can all be verified. The service is from the Montreal Light, Heat & Power Company; consumption 67 kilowatt hours at 6¢ plus meter rental; net bill $3.52 or an average of 5.25¢ per kilowatt hour. A little later I will show you why I have taken the urban users in Quebec to compare with the urban users in Ontario.

COMMISSIONER HANEY: Is this later bill the bill of an urban user ? A--Yes. It would be a suburb of Montreal. One is in Westmount and the other one is 502 Oxford Avenue, Notre Dame de Grace. The next one is a

rural user in the Township of Winchester, taking his service off a high tension line. I want to emphasize that because service to a rural user taken off a high tension line that is built for the purpose of conveying power to some other centre, can be rendered more cheaply than if there had to be built a line on the concession where the high tension line did not pass.

Q--Does Winchester adjoin Chesterville ? A--Yes. This man's property is 6¾ miles from the Village of Chesterville and less than that distance from the transformer station, and the wire is carried back on the pole that carries the high tension line. This bill was rendered June 17th,1921; service taken from the Hydro Electric Power Commission; the consumption was small only 12 kilowatt hours; charge, 11½¢ per kilowatt hour, plus $4.65 for service charge or a net bill of $9.61, and the average cost per kilowatt hour was 80¢ per kilowatt hour, - taking his service off the high tension line within three-quarters of a mile of the Transformer Station. That is a very extreme case, of course, but it is an actual case. The next one is his neighbour. The bill was rendered on June 17th, 1921; consumption of 217 kilowatt hours, which was much larger and more like the average rural consumer would use. For the first 84 kilowatt hours, the price was 11½¢; the balance of the service 5¾¢; service charge $4.65; net bill $23.95, and the average cost per kilowatt hour 11¢.

COMMISSIONER HARRIS: Is that all for light ?

A--This last man uses power for pumping water and running a washing machine and other labour saving devices such as you have in the home, but not for power purposes. Applying the rural rate of the Southern Canada Power Company of Quebec to this man's consumption, the net bill would be $16.51 as against $23.95, and the average cost

of 7.6 as against 11¢ in Ontario. I have his letter here giving the rate. I want to point out here that under the system in Quebec, the rural user gets his power more cheaply than the rural user in Ontario, and the urban user pays more for it than the urban user in Ontario.

THE CHAIRMAN: Have you analyzed the differences ?

A--I have it here in the statement.

Q--That is, under similar conditions ? A--The conditions are identical, because in the Southern Canada Power Company the services are taken off the high tension lines just the same as those two rural users I have mentioned in the vicinity of Chesterville. Neither one of them have low tension lines. I do not think in Dundas County, Hydro has a mile of what we call purely rural service. I may be wrong about this, but I do not know of a single line of Hydro Electric that can be called strictly low tension rural transmission line.

COMMISSIONER R.A.ROSS: Do these rates of the Southern Canada Company extend over the whole system ?

A--It applies to the rural centres.

Q--To the whole system or any rural demands of that system anywhere ? A--So far as they have extended their service, yes.

THE CHAIRMAN: Is the distance in each case of the lines over which power is transmitted, the same ?

A--I cannot answer as to the case in Quebec, but they could not be very much closer to the transformer station than those I have mentioned in the Township of Winchester. They are right against the municipality. The power is transmitted only a matter of three-quarters of a mile, and that is taken off the high tension line that passes the doors of these farmers.

Now we have in the County of Dundas, and there is

in one of the Western Counties, I think it is Peel, private power plants giving rural service, and applying the rates that these private power companies charge their customers, to Mr.Cress who is the user that I am using for illustration purposes, -- applying the rates of those two private power companies to his consumption, the average cost per kilowatt hour under private distribution would be 5.3¢, and the rates that these two Ontario private companies ask are identical with the rate of the Southern Canada Power Company. No, I am wrong there, the service charge in the case of the Southern Canada Company is $5.00 per month plus 3¢ per kilowatt hour consumption charge, whereas the two private distribution companies in Ontario charge $30.000 a year service charge and 3¢ per kilowatt hour consumption charge.

Q--What plants are you speaking of ?

A--The Beach Hydro Electric Company of Iroquois, and the Cataract Company, I think in Peel County. I have a letter from the manager of the Cataract Company which appears in public print, and he has been in business since 1899.

COMMISSIONER R.A.ROSS: How far do they have to sent their power ?

A--I cannot answer as to that. In connection with the Cataract Company it extends in part of three counties, so I presume some of the transmission lines are more or less lengthy. I think in Dundas County a few extend as far back as South Mountain Head.

COL. MALLOY: That is 18 miles.

MR. CASSELMAN: The service at the end of the 18 miles is $80, and 3¢ per kilowatt hour.

COMMISSIONER HARRIS: That is just half the service charge ? A--Yes. The service charge in the case of Quebec

rural service is twice as high as the service charge in these two companies. Then there is another one in Renfrew County that is rendering service at the same rate.

COMMISSIONER R.A.ROSS: Are the Hydro lines at the same distance from Niagara giving a cheaper or dearer service ? A--We have men here from Western Ontario, and I think that one of them will be able to tell you that the service charge in one of the townships in Western Ontario under Hydro Practice is $99 per year. Is that right, Mr.Lethbridge ?

MR. LETHBRIDGE: Yes.

MR. CASSELMAN: And the consumption charge, he will be able to tell you when he speaks. But this is in the Niagara Power zone.

I have made one more comparison. I have taken this Toronto customer and I have applied the Toronto rate to the consumption of this rural user, Mr.Cross, and I find had he used as many kilowatt hours of electric energy as Cross, he would pay 1.7¢ per kilowatt hour for his service where Cross pays 11¢. Of course you will say : You are all getting service at cost, and therefore they have no cause for complaint, but I say that the system of distribution of electric energy on the basis of the service at cost is not equitable in its application.

THE CHAIRMAN: How ?

A--Because the individual living in a large centre gets his power for about one-tenth of what the individual in the small centre gets it.

Q--Maybe it cost him that much less ? A--On the principle of delivery at cost that is the way it works out.

Q--If anyone got it for less than cost, some outsider would have to make up the loss ?

A--Get what ? Get something that belongs to all the people.

Q--But you got that at Niagara; it is the cost of carrying it ? A--I know.

Q--If you buy a ton of coal at the mine you and your neighbour get exactly the same price, but if it cost ten times as much to take it to one man as to the other, do you think the man who lives right by the mine would want to pay the difference ? A--The illustration is not apt, if you will pardon me for speaking bluntly. In my judgment, it is not apt. To begin with, I say that the water powers belong to all the people. They have been developed on the security of all the people, and a year ago there were those who would say that while they were developed on the security of the people, that did not mean anything; the municipalities assumed all the responsibility and the liability. Now, we are told that the Province must step in and pay a loss of $1,000 a day in connection with the Nipigon development. That does not look to me as if the responsibility all rested with the municipalities, and if the Province eventually has to pay that, then the non-user of power is paying something to benefit those who are getting the power.

COMMISSIONER R.A.ROSS: In your district you are getting power from the Cedar Rapids ? A--Yes, bought from the Cedar Rapids.

Q--Where does community interest come in in connection with the Cedar Rapids ? A--The Cedar Rapids Power Company is an independent company developing power for commercial purposes. The Hydro Electric Commission buys the power that we use from the Cedar Rapids Power Company.

Q--At the same price for everybody ?

A--Yes, buys a block of power and pays so much for it.

Q--Where does the equity come in in selling ?

A--Do you think it is a good thing to have all industries and all the population contralized, or the great proportion centralized ? Or do you think we would have a more healthy Provincial and National development if we could spread out those industries so that the smaller places would have industries to build them up, and avoid the overcrowding and all the complex questions which arise in large centres such as Toronto and New York City ? Do you think that is a healthy development ?

Q--No ? A--Then I say that one of the greatest agencies that work toward that end -- the end of centralization of industry and population and wealth -- is the present system of Hydro distribution.

Q--I think we ever emphasize the value of power in deciding where an industry will be located ?

A--I think you made that remark the other day, and since then, I heard of a meeting of representatives of three or four urban communities in Eastern Ontario where they are complaining bitterly of the cost of power because it militates against their industrial welfare.

Q--Take the average manufacturer and the cost of his power will probably not exceed 5% of the cost of his output except in the case of a pulp or paper plant in which power is the governing factor. The thing that governs the location of a manufactory usually is the question of freight rates, access to labour and all that sort of thing.

A--Do I understand you to say that the cost of power is not a consideration ?

Q--It is a consideration, but much smaller than people are given to believe ? A--That may be so.

Q--Then there is the other question. I cannot see your point of view in regard to distribution. Before there was

any power generated in Niagara, coal came across the boundary at Niagara from the United States. What happened in a way is that we have taken the white coal that the Hydro speaks about and substituted it for the black coal, and why when we charge a railway rate for black coal, should not we charge the same for power generated at Niagara and transmitted over a line which is just as much a transmission line as the railway ? The commodity itself which is owned by the Province is charged to each individual municipality at the same rate, but the excess charge that one municipality may pay over another is merely the transportation charge.

A--You are speaking of municipalities and I am speaking of individuals, and I say that the principle of distribution on cost as we have it under Hydro practice gives an undue advantage to the individual in a large centre as against the individual in the smaller centre. I have just as much right to benefit by the power that is developed on the security of the Province as the man living in the City of Toronto. I say that the average man in the rural district and in small centres renders just as great a service to the State as the average Toronto man. You have some people in the cities who of course are worth more to the State than the average man or the big man outside, but they will average up, and I say that we have the right to benefit by these natural resources on an equal basis, and no man can tell me that when an individual in Toronto gets service at 1.7¢ per kilowatt hour in comparison to the individual in the township paying 11¢, that that is equitable distribution of electric power.

Q--Supposing that view prevailed and we had a uniform price for power all over the Province ? A--I do not advocate that. I see the difficulties in the way, and I do not advocate that.

Q--Supposing the powers that are owned by the community were scattered uniformly over the Province, you would then get the very same thing you are arguing for; but we have the great sources of power at the edge of the Province ; that is the difficulty.

MR. McLEOD: Since the question of coal has been introduced, what is the difference in the price of freight for coal to Toronto and Montreal ?

COMMISSIONER R.A.ROSS: I do not know.

MR. CASSELMAN: Very little difference.

THE CHAIRMAN: Q--You are speaking of the tendency to build up places, but there are places where the price of power is less than in Toronto; take Niagara Falls, it is a comparatively small place ? A--I hope you do not understand me to say it is the sole cause of depopulation, but I say it is a very important contributory factor.

Q--I am pointing out there are small places where the power is sold at a much less rate than in Toronto. At Fenelon Falls you can buy it at $10.00 per horse power, and yet the people do not go there ?

A--You can buy it in Dundas County from private concerns at $17.50 per horse power. I did not work it out in terms of horse power, but Hydro is selling power to companies in Chesterville at less than it costs to deliver it there, and they are charging the balance to the consumers.

Q--You told Mr.Ross you would not advocate a flat rate ?

A--No.

Q--How far would you go ? Where would you draw the line ?

A--That is a big question. It is a question that is pretty difficult to answer offhand. We had worked on that, and suggested that power zones be established within the boundaries of which the flat rate should be maintained.

Q--If you develop power at the St.Lawrence, and it may be

developed there in very large quantities and at low rates, you would be close to that and would be able to take advantage of that, but supposing there was no Niagara power, and I wanted that St.Lawrence power carried to my home at Oakville, would you expect me to get it at the same rate that you do ? A--If I asked for a square deal, living in that part of the Province that pays so dearly for electric service, I could not consistently refuse you the same service, I believe in that absolutely. I cannot see why the individual living in Toronto should get a public service like this at one-tenth of what it costs the man somewhere else, if it is possible to take that service to him.

Q--You think if these conditions prevailed and you were getting it at 3¢ and I was paying 10¢, the people down there would be satisfied to average it up so that we would be on the same basis ? A--They would be as willing to do that as Toronto is now.

Q--They are not willing ? A--I know they are not -- not all of them, but I want to say to the credit of the late John O'Neil that he saw the inequality of this present system and, in order that we should encourage our own native boys and girls to stay on the farm, the need of doing something to improve farm conditions, and he signed a report recommending a $2.00 rental, and the proceeds should go to some extent to equalize the power rate. There are a few men in Toronto, and he was one of them, who saw this point and saw the need for it and were willing to make the sacrifice.

THE CHAIRMAN: I wish you would submit that scheme showing how far you propose to go with it.

MR. CASSELMAN: There is a report of the Committee that dealt with that matter. (Produced).

I think if we had to do it over again, in the light of what we have learned since, we would make some little changes in that. I want to hear something from my friend, Mr.Lothbridge, if he is willing to take up that aspect of it; I will leave that for him, with your permission. We do not claim for the proposals in this report that it is the last word in perfection, but after studying the question as we have, we believe that it is the best thing that has been offered yet.

COMMISSIONER R.A.ROSS: The Government of Canada owns the railways in a much more real ownership way than the Province owns the Hydro or is responsible for it. Would you apply the same system for the carrying of goods on the railway as you are suggesting for the carrying of electricity over the lines of the Hydro ?

A--I am going to say something now that if I were not an impulsive man I would not say : I believe in private ownership of public utilities under the control of some Public Service Commission. I believe you get more economical service and more beneficial service. I do not think we have anything to boast of in the matter of the results that we have obtained from our publicly owned railroads. I think that the same thing can be said of what we call our publicly owned and managed system of distribution of power in the Province of Ontario.

Q--If we had private ownership of power and Commissions governing it, you would then be willing to accept the same handling as the railways, that is, pay for what the transportation cost ? That would seem to be logical. I cannot see your point at all ? A--I cannot help that. I am sorry for you, but I cannot help it. I only think it is unfortunate for you; I could not possibly think it would be unfortunate for myself.

THE CHAIRMAN: You have not answered Mr.Ross's question; Would you think it right for the railways to adopt the principle of a flat rate so that they would be charging the same rate for goods wherever it was sent ?

A - -In carrying this whole question to its final conclusion, you will have what I understand is socialism, would not you ? And I never believed in that.

COMMISSIONER R.A.ROSS: If you were in the Niagara District and got your power cheaper, would you not object ? A--I would be very foolish to tax myself for something at more than I could get it for, but that would not mean that I would not feel that the other fellow had a claim.

THE CHAIRMAN: You would be willing to put in a good word for him ? A--I would try to be as big a man as John O'Neil and be willing to try it out.

COMMISSIONER HANEY: Mr.Casselman, would a solution of this kind reach a more equitable adjustment: assuming that the principle of cost of electric power is the capital expenditure, leaving out operation, maintenance and service and that sort of thing, if the expenditure of the development plus the expenditure of the high tension lines was treated as capital and not have the distribution service charged to the various municipalities or sections of the country -- would that bring it down nearer a level ?

A - -Would you mind repeating that ?

Q--In treating this as a private investment, if the capital investment in one block was treated as the whole which would include the cost of development plus the cost of the high tension lines, -- let that be treated as capital solely and not have the high tension lines or distributing service charged to the different localities as at present, and the cost of power figured on that basis ?

In other words, if you brought the total cost of the transmission lines and the cost of development to Niagara and fixed the price for power at Niagara, would it equalize the cost of power to the users to any greater extent than under the present system ? A--I must confess I do not get your point.

COMMISSIONER R.A.ROSS: I think Mr.Haney means this : supposing instead of being charged for the cost of power at Niagara you were charged the cost of your high tension lines as transmitted and equalized over the whole Province -- if you sold your power on the high tension lines and not at Niagara, but anywhere along the line ?

COMMISSIONER HANEY: And the cost should be the same at all points ?

MR. CASSELMAN: I cannot see how that would equalize it.

THE CHAIRMAN: Take the consumer at Toronto, for instance, he pays for the cost of transmitting from Niagara to Toronto. Now, supposing that cost were borne or charged on the capital cost, and the consumer were charged for carrying it from the termination of that high tension line to the point of consumption, you would not have to pay anything beyond the cost of that high tension line ? That would go quite a way in your direction ?

A--Yes, I know it would help to equalize it, but I would not be paying anything for bringing my share of the service over that high tension line.

COMMISSIONER HANEY: Q--That all goes into one pocket. There would be special service and service charges that naturally would go to each locality, but my idea would be : if some system could be arrived at that would bring it nearer a flat rate ?

A--In zones ?

Q--Zones if you like ? A--I do not care what system you use as long as you get it nearer a flat rate.

Q--As long as you get it lower in the rural districts ?

A--As long as we get something like an equitable distribution.

THE CHAIRMAN: Mr.Haney's suggestion would bring it a good deal nearer that than it is now ?

A--There are other items that enter into the cost of power in this Province that I think are altogether too high in Hydro practice. A year or two ago if a person dared to criticize Hydro practice, it was an offence punishable by the mosr dire calamity, but now-a-days a person may in abated breath/speak critically of Hydro administration.

COMMISSIONER HANEY: Why do you make that statement ? - through some fear of being penalized in some way by the Hydro ? You must speak out ?

A--Now, I will tell you that there are instances where that thing actually took place, but I did not mean it when I spoke -- I did not mean it in that sense. I meant there was a public feeling that the Hydro could not do wrong.

THE CHAIRMAN: Were you silenced, Mr.Casselman, by that fear ? A--No, Sir.

MR. JEFFERY: Do I understand you to say that there were instances where certain people were silenced through fear ? I did not just get your words ?

A--That claim is made, I think, is not it, Mr.McLeod ?

MR. McLEOD: Yes.

MR. CASSELMAN: By the people in Cornwall. And by the way, Mr.Chairman, it just occurs to me now to say that I think this inquiry - I hope you will pardon me for making bold to make this suggestion - I think this Commission should hold a hearing in Eastern Ontario, and I

would suggest that the point be Cornwall. Just while I am saying that I want to criticize in the very kindliest way the fact that you have not carried your inquiry into the rural districts. I submitted a somewhat lengthy list of names of persons who are very deeply interested in questions in Eastern Ontario and they received an invitation to appear here. That conveyed to them that they were to appear here at their own expense. My conception of the duties of this Commission of Inquiry is that they should get out and inquire into this question. That is what they were appointed for and they should not expect people to come from all quarters of the Province to present their case. That is my opinion.

THE CHAIRMAN: Perhaps you are under some misapprehension. We have been to outside places. This week we are going to Guelph. We have been to Nipigon, and we have published notices throughout the Province asking anyone who wishes to appear before us to notify us and if there were a sufficient number in one place, and the suggestion was that we should go there, we would be only too glad to ?

A--I am sure you would.

Q--And we would be glad to hear from you about Eastern Ontario or from anyone else in any other place, and I hope you will make it as public as possible that they will all be heard on any matter in connection with this inquiry.

MR. JEFFERY: Does it not leave a rather unsatisfactory impression that there were parties that the Commission intimidated ?

THE CHAIRMAN: I think Mr.Gasselman should be as specific as possible.

[illegible] regret that the point is formal. [illegible] I do [illegible] think I must [illegible] criticize in the very [illegible] way [illegible] that you have not carried your [illegible] into the [illegible] interview. I submitted a [illegible] lengthy list of [illegible] in Eastern Ontario and they responded in invitation to appear here. That covered to them that they were to appear here at their own cost. My connection of the [illegible] of this [illegible] of loyalty is that they should not [illegible] [illegible] position. That is what they were [illegible] for. They should not expect people to come from all quarters of the Province to present their case. That is my criticism.

THE CHAIRMAN: Perhaps you are under some misapprehension [illegible] We have come to outside places. This week we are going to Guelph. We have been to Belleville, and we have [illegible] to appear before us to-morrow. We had if there were a sufficient number in Brantford; and the suggestion was that we should go there, we would be only too glad to [illegible] as sure you would.

[illegible] we would be glad to hear what you think Brantford [illegible] at from anyone else in any other place, and I hope you will make it as public as possible that they will all be heard on any matter in connection with this inquiry.

MR. HENRY: Does it not leave a problem [illegible] the Commissioner instructed?

THE CHAIRMAN: I think Mr. Commissioner should be as [illegible] as possible.

MR. JEFFREY: Did not he leave that impression, that the Hydro Commission imtimidated the people in Cornwall?

THE CHAIRMAN: He did not say the Commission, did he? He said they were in a sense -- you might draw that conclusion from it.

MR. CASSELMAN: They claim down there -- I think you can almost put it this strongly that they have already been penalized on account of the course that the electors of Cornwall took in the vote last year. I do not think that is putting it too strongly.

THE CHAIRMAN: I do not know anything about this vote you speak about?

MR. CASSELMAN: It was a vote as to whether they would extend the franchise to a private corporation or get Hydro.

MR. JEFFERY: Would not it be well to make the accusations specific.

THE CHAIRMAN: Do you know of any instances yourself in which any intimidation has been used or felt? A--All I know is what I have heard men say.

Q--Have individuals told you that they have been?

COL. MALLOY: I can give you a specific instance.

THE CHAIRMAN: We will hear what Mr. Casselman has to say first, and then anyone else may speak.

MR. CASSELMAN: I want to put myself right with you. When I started out to talk along that line, I did not mean to say just exactly what I did, although what I said was in line with the truth. I think that the people of Cornwall feel that they have already been penalized on account of the course they took in that vote.

THE CHAIRMAN: Mr. McLeod represents that district, perhaps he will be heard on that when he comes before us presently. Do you know any in your own locality?

[illegible] the 11 [illegible]

[illegible] Yuba Commission intimidated the people in [illegible]?

THE CHAIRMAN: Did you say the Commission, did you?

Mr. [illegible]: They were in a [illegible] -- you might have that confusion from it.

Mr. CARTWRIGHT: They stick down there -- I either you can almost put it this strongly that they have allowed, been persuaded or accepted of the source that the elections of Commell took in the vote last year. I do not think that is putting it too strongly.

THE CHAIRMAN: I do not know anything about this vote you speak about?

Mr. CARTWRIGHT: It was a vote as to whether they would accept the franchise to a private corporation in Yuba.

Mr. [illegible]: Would not it be well to [illegible] [illegible]

THE CHAIRMAN: Do you know of any instance [illegible] in which any intimidation has been used on [illegible]?

A--All I know is what I have heard [illegible].

Q--Have individuals told you that they have [illegible]?

Mr. MILLER: I can give you a specific instance.

THE CHAIRMAN: We will hear that in. Gentlemen have to say that, and then anyone else may speak.

Mr. [illegible]: I want to put myself right with you. When I started out to talk along that line, I did not mean to say just exactly what I did, anyhow that I could be in line with the truth. I think that the people [illegible] that they have already been [illegible] of the course they took in that vote.

THE CHAIRMAN: Are [illegible] [illegible]

[illegible]

personally. If you [illegible] [illegible]

A--No.

Q--Have any persons been afraid to complain about rates for fear they would be penalized or anything of that kind?

A--No, when I started out I did not mean to suggest that they would be penalized if they criticised Hydro, but what I meant was the people of the Province seemed to think that public ownership was above criticism, and any public man that criticized public ownership -- that was the thought I had in mind when I said this. Of course I have never been afraid of that criticism and propose to say what I think about it.

MR. JEFFERY: Is someone else coming to explain how the people of Cornwall have been affected?

THE CHAIRMAN: Mr. McLeod is the member of the Legislature from that district and he will explain that. Mr. Casselman says he has no personal knowledge of it?

A--Except from hearsay. I think this gentleman representing Hydro has placed a little more serious construction on that than I intended.

MR. JEFFERY: It did not sound very good.

MR. CASSELMAN: Yes, and we hear other people say things that do not sound very good.

What I was going to say about the items that enter into cost of power in Hydro practice -- is not all summed up in the cost of development; there is the cost of administration, and I find in examining the Public Accounts of 1921, beginning at Q.1. that the total cost for payment of permanent employees of Hydro amounted to $2,027,039.75. Now I do not know just how many horsepower of electricity the Hydro distributes but I think it is giving the advantage to Hydro to say 350,000 h.p. I think it is less than that.

COMMISSIONER HANEY: In 1921?

A--Yes. On the basis of the distribution of 250,000 h.p. which is more, I think, than Hydro distributes, the administ-

[illegible] to have [illegible] to complain about [illegible]

[illegible] would be [illegible] anything of that [illegible]

[illegible] when I started [illegible] I did [illegible] a report

[illegible] that would be [illegible] [illegible]

[illegible] I could see the [illegible]

[illegible] that public ownership was above criticism, and [illegible]

public and that criticism [illegible] — [illegible]

the thought I had intended [illegible] "[illegible]". [illegible]

have never been afraid [illegible] criticism and [illegible]

[illegible] I think [illegible].

Mr. [illegible]: In [illegible] [illegible]

how the people of Canada have been [illegible]

Mr. [illegible]: [illegible] [illegible]

[illegible] come from their [illegible] and be still [illegible]

[illegible] [illegible] be [illegible] [illegible]

[illegible] from [illegible]. I think [illegible]

[illegible] I do not [illegible] [illegible]

[illegible] on that than I [illegible].

[illegible]

Mr. CHAMBERLIN: [illegible] [illegible]

[illegible] that do not [illegible] [illegible].

What I was going to say about the [illegible] that [illegible]

[illegible] of power in Quebec province — [illegible] I [illegible]

the cost of [illegible] there is the [illegible] of [illegible]

them, and I [illegible] of [illegible] the [illegible] [illegible]

[illegible] that the total [illegible] [illegible]

[illegible]

ration according to the statement of Hydro in the Public accounts costs $5.75 per h.p. Now I think that is an excessive rate.

Q--When you are speaking of the administration you are speaking of the whole cost of employees? A--Yes, that is, on the permanent staff.

THE CHAIRMAN: You mean on the headquarters staff here?

A--The whole staff throughout the Province.

COMMISSIONER HANEY: All their permanent employees?

A--That does not mean men engaged in construction work, but as I understand it for administration purposes there is an itemized statement in the Public Accounts and you can examine that, and I know it totals over $2,000,000, and on the basis of the distribution of 350,000 h.p., it is $5.75 per h.p. We believe too that while the administration charges are too heavy, that the offices are overmanned, and we believe that the construction under Hydro practice is too costly, -- more costly than under private ownership. I do not know what it costs under Hydro to build a line of low tension, but I have heard it cost $2500 a mile. The Southern Canada Power Company builds low tension lines at $1800 a mile, and the Beach Company at $1500 -- lines that are giving a satisfactory service.

COMMISSIONER HANEY: Do they use the same materials in these lines -- copper in both cases or iron? A--I do not know as to that.

Q--That makes a difference? A--Yes, I know.

Q--They all use wooden poles? A--They all use wooden poles, and when the St. Lawrence system was built they used copper wire. During the war that wire became very valuable and they took that off and put on steel wire, and claimed that that saved for that system $17,000, so that if the private lines have steel wire so have Hydro now.

COMMISSIONER R.A. ROSS: You complain of the cost of administration at $5.75 per horsepower. How does that compare with private companies of the same size?

A--I could not say as to that, but I have no means of finding out how much it costs under private ownership. I imagine it would not amount to nearly so much.

Q--I do not know why you make the comparison?

A--I have not made a comparison, but I say that that seems to me to be a startlingly high administration cost.

MR. JEFFERY: You said the cost per mile of low tension line built by Hydro was $2500?

A--I understand that. I do not know but I had been given to understand that that is what it was.

Q--I may correct you there; it is not that much.

THE CHAIRMAN: How much is it?

MR. JEFFERY: We estimate a great deal lower than that and our rural rates are based on much less -- about $1500.

COMMISSIONER HARRIS: What is your actual cost?

MR. JEFFERY: It is actually costing less than that. Those are estimates.

MR. CASSELMAN: Is that with the 50% Government assistance?

MR. JEFFERY: Without that.

COMMISSIONER R.A. ROSS: Does that include your overhead charges as well?

MR. JEFFERY: Everything.

Q--Not only labor and material but overhead? A--Yes.

MR. CASSELMAN: I would like to make this observation here: This rural service that I have spoken of was based on the receipt by the Commission of 50% of the cost of the low tension lines, so it would have been higher for the whole of the cost.

THE CHAIRMAN: You mean the cases you have mentioned should be increased by the cost of construction?

A--Hydro finds it possible to run service at this price because of the receipt of the 50% bonus paid by the Government.

COMMISSIONER R.A. ROSS: If that 50% bonus had not been paid, the rate would be higher?

A--I would imagine; that would be the natural conclusion I would have.

COMMISSIONER HANEY: You say the cost of your lines is $1500 or less?

MR. JEFFERY: The three phase lines are approximately $1500; a single phase lines a little better than $1,000 -- the average is $1200.

Q--The Government pays one-half? A--Yes.

Q--So the actual cost to the Hydro would be $750 and $500? A--Yes.

MR. CASSELMAN: The Ontario Municipal Electric Association that has taken such an active part in protecting the municipalities have passed a resolution at a meeting held in March, I think, in 1921, and they recommend in this resolution that the Government should bonus the building of low tension lines and that that should be extended to secondary lines. This Ontario Municipal Electric Association is composed of representatives of urban municipalities, and they are interested of course in the distribution of electric power, and I would assume because they have passed this resolution, they believe that something ought to be done to lessen the cost of delivery of power in the rural districts, or they would not have passed that resolution. I submit that is the opinion of this Association.

THE CHAIRMAN: Is that an association of municipalities or individuals? A--You probably know the Association called the Ontario Municipal Electric

Association.

Q--Is that the one Mr. Hannigan is secretary of? A--Yes, he is the secretary. Here is the resolution.

Q--When you speak of secondary lines are those the lines from the highway into the buildings?

A--I would understand it is the high tension lines.

MR. JEFFERY: No, it would be the cost of meters and cost of transformers, not the cost of lines running in that is paid for by the customer.

MR. CASSELMAN: What is the ratio of cost as between secondary and primary lines?

MR. JEFFERY: That would vary.

MR. CASSELMAN: In a rough way?

MR. JEFFERY: It will run about $180 per consumer, but I do not know off hand what that is in comparison between the total secondary and total primary. I have the figures. The secondary would be somewhat less than the primary.

COMMISSIONER R.A. ROSS: If that were done, you would still have this same proportion?

MR. CASSELMAN: I am not assuming that is the solution. I am citing this as the opinion of this Association.

THE CHAIRMAN: They are willing to move in this direction? A. Yes, and then the Toronto Globe in an editorial sometime last summer agreed that it was in the interest not only of the rural dwellers but of the urban dwellers that some substantial assistance should be given towards the distribution of electric power in rural Ontario. They believe, as we all know, that the well being of all this Province depends upon a prosperous agricultural community, and the distribution of electric energy would very greatly assist toward an increase of prosperity and well being amongst the farmers. The Globe believe that

and advocate a bonus out of the consolidated revenue for that purpose. I do not believe in the payment of a bonus from consolidated revenue with equalized rights. No, self-respecting farmer would accept it.

THE CHAIRMAN: Is not that done in the case of these rural lines? A--Yes, it is done now, but I never believed in it, and never supported it. I say there should be a tax on power, and that tax should be placed into a fund and that should be used for equalizing the power.

Q--That is, the users of power should contribute instead of the Province as a whole? A--Yes. The water powers -- You put it unfortunately I would not want to put it that way; I say the water powers should be taxed. The Province should receive revenue from that natural wealth represented in our water powers, and that fund should be earmarked for the purpose of reducing the cost of power in small urban centres and in rural districts.

COMMISSIONER R.A. ROSS: In rural lines where the power is cheap, take in the neighborhood of Niagara, where there can be no question as to the cheapness of power, do the farmers take it up very extensively?

A--I told you before I could not speak for Niagara Peninsula, but I know in Eastern Ontario, in Dundas County, the famers want Hydro power and want it badly, but under Hydro practice they cannot afford to take it. They cannot justify the outlay. You might find an occasional farmer who has saved up enough money to afford it as a luxury, but as a business proposition, the farmer of Dundas County cannot afford to pay Hydro rates. Right there in that county we have two plants lying idle, and we believe there should be some encouragement to those plants to extend their service out into the county.

COMMISSIONER HARRIS: Can these two plants deliver cheaper power than Hydro? A--One of them, the Beach Power

Company, is offering a service on a five year contract binding both parties, both the customer and the company, at $30 per year service charge and 3¢ per kilowatt hour comsumption charge. That is against the Hydro proposal of a contract for 20 years binding the farmer to pay a service charge whether he uses power or not, and which amounts to a mortgage on the property, and binding the Commission to nothing. That service charge is anywhere from $55 to $60 per year and a comsumption charge of from 8¾¢ to 11½¢. There is the comparison between a private company and Hydro in Dundas County, and it is on the 50% bonus to the Hydro Commission that they build low tension lines.

Q--Before anything was done under rural distribution, did you have any estimate from the Hydro as to what the cost would be to the farmer?

A--They had meetings in Dundas County -- quite a number of them I understand. Mr. Drury is here, I think, and that is his work.

Q--Were any statements made as to any estimates?

A--Yes -- "Estimates" is right. They estimated that it would cost in Williamsburg Township $57 a year service charge and 8½¢ per kilowatt hour comsumption charge. They have the service actually in effect there and they charge $4.65 per month service charge and 11½¢ per kilowatt hour consumption charge. These are estimates. They estimated in Chesterville we would get power at $35 per horsepower on the assumption we would use 50 horsepower. That is what they estimated it would cost to Chesterville, and the second bill we got was for $46.

A--And their estimate was $35? A--Yes.

Q--On the basis of the consumption of 50 horsepower?

A--Yes. In the campaign the argument was used that as we increased the consumption, the price would naturally be reduced. Now we have increased the consumption to the

[illegible] a service on a five year contract bind [illegible], with the customer and the company, [illegible]

[illegible] Thus in essence the Hydro proposes [illegible] for 40 years binding the farmer to pay a [illegible] regardless he uses power or not, and which [illegible] in the property, and charging the [illegible] Thus [illegible] in exchange for [illegible] year and a consumption charge of from 8½¢ to 12½¢. There is the competition between a party who wanting and trying to [illegible] and is in on the 50% bonus to the [illegible] Commission that they build low tension lines.

Question anything was done under rural electrification, did you have any assistance from the Hydro or to what the cost is [illegible]

—They had meetings in Renfrew County — quite a number [illegible] meetings. Mr. Perry is here, I didn't and that's [illegible] this week.

—Have any statements made as to any estimates?

—Yes — "Statements" in right. They estimated land is [illegible] and 40% per kilowatt hour consumption charge. They [illegible] the service entirely in school times and [illegible] service charge and 12½¢ per kilowatt hour [illegible] charge. There are exceptions. They estimated in Renfrew County we could get power at 12½ per kilowatt hour [illegible] we could use 40 kilowatts. That is [illegible] [illegible] and the [illegible]

[illegible]

Given the area of the consumption of the [illegible] [illegible] the campaign the question was used that [illegible] the consumption, the power would actually [illegible] have been [illegible] the [illegible] to the

point where we are consuming somewhere in the neighborhood of 200 horsepower; I think to be exact the last statement was 192 horsepower, and the rate has been increased from an estimated rate of $35 per horsepower up to a point where we are paying $85 per horsepower, notwithstanding that we have increased our consumption practically 400% over the amount we were supposed to take. Not only that but on a certain occasion -- I do not know just how to express this; I do not want to use too strong language -- I was going to say discriminated between customers in that municipality -- (I do not know what other word to use).. They re-classified their customers and they said to the farmers living within the municipality; Whereas you went into this thing on an equal basis with other classes of citizens in the community, now we are going to re-classify you and put your service on a commercial basis, and in place of paying 5¢ and 2½¢ per kilowatt hour consumption charge, we were told we had to pay 14¢ and 7¢, practically 300% more.

COMMISSIONER R.A. ROSS: For service rendered in the municipality? A--Yes.

Q--I am anxious to get at that, Mr. Casselman? A--It is a long story and I do not want to talk too much.

THE CHAIRMAN: That is very important.

MR. CASSELMAN: I am willing to tell the story over again. I think we have exhausted all I know about rural distribution, and I do not want to encrouch on the time of the others too much.

COMMISSIONER HARRIS: Of course it affects rural distribution in this way that you had estimates of the cost?

MR. CASSELMAN: And to show you how little reliability you can place on these estimates, I think my personal experience gives it to you.

Q--The Hydro Commission has been trusted at all times and in all places as to the accuracy of their own estimates?

A--They make pretty poor guesses in many instances.

THE CHAIRMAN: Let us have your experience -- something about which you can speak with personal knowledge?

MR. CASSELMAN: The Village of Chesterville took power from Hydro in the year 1913, I think first. One year after the service was extended to the Village, I applied for service in my home and in my farm buildings.

Q--You live in the village? A--I live in the village, and directly opposite my house is the municipal electric light pole with a municipal lamp on it -- within 25 feet of my front door. I applied for power and went to the local representatives of the Hydro and asked what it would cost, and they told me at that time, I think, 4¢ per 100 square feet service charge. Later it was reduced to 3¢. At the beginning it was 4¢, and 5¢ per kilowatt hour with a reduction to 2½¢ after you had used a certain amount of electric energy. I got a local firm to wire my buildings and it cost me $40. That job of wiring passed such Hydro inspection as was in vogue at that time. I used power in the old house for two years, and then I built a new home, and I wired the new home for ultimately taking advantage of every labor saving device that could be gotten in a home, because I wanted to lighten the burden on the farm women in that home, When the inspector came to look over the job of wiring the new home, he went over the job of wiring the farm buildings. I was not there when he first came but he sent for me and told me that the job had to be re-wired at once, that unless it was re-wired at once fire was likely to occur or someone would be killed.

Q--That was the farm buildings? A--The farm buildings.

MR. McLEOD: Your farm extends right into the Village of Chesterville; the house you live in is your farm

house? A--Yes.

COL. MALLOY: Who had passed the job in the first place?

MR. CASSELMAN: I do not know the man's name. We called in the local Hydro Inspector, I do not remember who but there should be a record of that in the Hydro office. It passed the inspection which was in vogue at that time. The system of inspection was changed later. I sent for the man who did the job and we talked to the inspector and he apparantly cooled down a little, and he want home. In a few days I got written notice that unless I had my job re-wired by a competent man, the service would be cut. I felt sore about it, and consulted my friends and held off as long as I dared. After equipping my buildings for electric service, I could not afford to have them cut, so I agreed to allow the Hydro to go ahead and wire my buildings.

Q--These are the ones you had been using for two years?

A--Yes. That job of wiring was better than the job that had been in use in the Village of Iroquois and Morrisburg for a quarter of a century, and the same as other jobs in the same village. But rather than have any difference with Hydro, I consented to have the job re-wired, and mind you this was a job that was likely to result in death or fire at any moment. I authorized the local representative of Hydro to order the supplied and do the job. The supplies came and they lay in my farm buildings for six months before there was anything done. Then they came in and worked three days and left the job half finished, and came back in six months more and finished it, and this was a job that was likely to result in death or fire at amy moment. And I paid for the second job $225.10.

COMMISSIONER R.A. ROSS: Was that done by Hydro workmen? A--Yes.

Q--I did not know they did that sort of work? A--They do all the house wiring themselves. That was done by a Hydro workman and he is on the permanent staff.

Q--Was he paid extra or did they do it on account of the Hydro? A--I cannot tell you where the money went, but I presume it went to the Hydro. I know what I paid.

COMMISSIONER J.A. ROSS: You paid the Hydro?

A--I paid Hydro, yes, $225.10. Perhaps the Hydro representative will know whether there is anything in this or not, but I was told afterwards that conduit wiring was not proving satisfactory, and I expect if that is true I may be asked to have the wires taken out. I invested in all, in labor saving and electrical devices and in the installation and so on, $1325. I made that investment in good faith believing I would get electric service from Hydro at a price I could afford to pay.

THE CHAIRMAN: Did you ascertain the price?

A--Yes, it was 5¢ per kilowatt hour, and 2½¢ after I used a certain comsumption. That was the estimate.

Q--On the faith of that you made the installation? A--Certainly. I had to have something to go on, and I had two years' experience, and I thought I could afford to use power to this extent, based on my experience, and I made this investment. After I had been living in the new home for a couple of years, one day I was rendered a statement covering the two preceding months' use of Hydro electric current, and that bill was rendered not at the old rate but at 12¢ per kilowatt hour for the first 270 kilowatt hours comsumption, and 6¢ for the balance of the service. That was a bill rendered retroactive for two months at more than double the rate that I had previously paid, and then very shortly after that we were notified -- that was when the village was being charged

$76.73 per horsepower -- we were notified the rate would be increased to $85, and that the price to consumers would be increased from 12¢ and 6¢ to 14¢ and 7¢ per kilowatt hour. I refused to pay the bill. I went to the local representatives. I thought first it was a mistake, and they said "No, it was the rule of Hydro where farmers lived in an urban municipality that their service must go on to the commercial rate." I want it clearly understood that directly opposite my house was the municipal electric light pole with an electric lamp on it, and it did not cost 1¢ more to extend the service to me than it would if I had been a lawyer or doctor or merchant. Yet they re-classified these costomers living in that village, and they said to the farmers: "You must pay the commercial rate for your domestic service." I of course would not do it. Four of us went before the Village Council and protested and they told us not to pay the bills, that they would be re-rendered at a lower rate. A little later on, the Hydro representative visited the village and told the Clerk of the municipalities that these customers must pay that rate; it was the rule of Hydro and Council had nothing to say about it. But we never paid the rate, and later I understand that the Hydro Commission saw the absurdity of the situation, and they placed us on a rate that was equitable as compared with other classes of citizens in the village.

MR. JEFFERY: How was the adjustment made? Do you know what was the change?

MR. CASSELMAN: The change I suggested at the time the Hydro representatives came to Chesterville was; I would be willing to pay the commercial rate on the consumption in the farm buildings, but I claimed the domestic rate on the consumption in the home, and the adjustment was made on that basis.

MR. JEFFERY: So the rate which you gave in your former evidence of 10¢ would hardly be correct on the revised bills?
A--No, but this thing was in vogue for a year, before Hydro ever made the change. I did not pay it.

COMMISSIONER HANEY: Are all your buildings in the municipality, or some outside? A--All in the municipality, and within 200 feet of the business part of the village, and it

does not cost a cent more to bring that service to me than to other classes of citizens. And they demanded a commercial rate from me in my farm buildings where I use it for lighting purposes only, just running a small two horse power motor for a milking machine, and the livery men in the village pay domestic rate on their whole consumption and they use more electric light in their barns than I do.

COMMISSIONER HARRIS: Don't you think that is a pretty good policy, to penalize the farmers and discourage them from moving into the town ? A--He is discouraged badly enough living outside.

Q--We want to keep them on the farm ? A--You can do something very substantial toward that too.

Q--You said your cost of building low tension lines came below $1500 a mile, Hydro cost; do you know that that was the cost of the low tension lines built out of Chesterville in Dundas County ? A--There are no low tension lines.

MR. JEFFERY: They were erected on the existing poles. The high tension lines coming in there had this other line put on the same poles, so the actual cost per mile would be much less than that.

Q--Are your low tension wires on your high tension poles ?

MR. CASSELMAN: They have no strictly low tension lines in Dundas County that I know of.

MR. JEFFERY: No; there is only one.

MR. CASSELMAN: They carry back the service to the farmers from the high tension lines.

COMMISSIONER HARRIS: You have low tension lines in other places ?

MR. CASSELMAN: Not under Hydro.

MR. JEFFERY: Yes, the Hydro have. I might say that that particular line is the only one where we used

ground wire off the high tension line, making two wires to give service out to these farmers.

COMMISSIONER HARRIS: You are quite sure that your actual cost is really within $1500 on the low tension lines you have built ?

MR. JEFFERY: The actual estimated cost.

Q--Not the estimated cost. We get too many estimates.

A--Pardon me, yes they are lower.

MR. CASSELMAN: Lower than $1500 ?

COMMISSIONER HARRIS: Recently constructed or constructed ?

MR. JEFFERY: Recent construction as being built at the present time.

COMMISSIONER HANEY: What does that mean in total ; poles and wires, or using other poles and wires ?

A--It means everything as a separate line.

COMMISSIONER HARRIS: While talking about estimates, have you any explanation to make on the statements that Mr.Casselman has made that the estimates at Chesterville as presented by the Hydro were $35, and after the service was in operation, they were charged $85 ?

A--Yes, there is an explanation for that. The conditions under which the estimates were made did not maintain later on.

Q--They generally do not ?

MR. JEFFERY: I do not know that you just understand what I mean. That first estimate was based on getting power from a different source than where they are getting power now.

Q--When that was changed and you found you could not get it from the first source as estimated on, was the question taken up with the municipalities before you went on with your construction work, and were they told that the cost

instead of being $35 would probably be $85 ?

A--They were told it would cost more; I do not know that they were told it would cost $85.

MR. CASSELMAN: We were told that when we received the bill for power.

COMMISSIONER HARRIS: But not before ?

MR. JEFFERY: Yes, they were.

THE CHAIRMAN: Were they told before that before they began construction work ?

MR. JEFFERY: Yes.

MR. CASSELMAN: The construction work was all done.

MR. JEFFERY: They were told that before construction work commenced.

COMMISSIONER HARRIS: They were not asked to vote on the question the second time ?

MR. JEFFERY: No.

COMMISSIONER HARRIS: Why not ?

MR. JEFFERY: I could not explain that. The vote calls for taking power at cost.

MR. CASSELMAN: The cost was to be $46 under the changed conditions.

THE CHAIRMAN: You gave them your estimates, and with all your experience and knowledge of doing these things, you ought to get as close to the point as any one ?

MR. JEFFERY: Yes.

THE CHAIRMAN: These people went on with their development on the faith of your first estimate, and Mr. Casselman says that it was after the work was done that they made this big increase. It strikes me after you found you could not make good your estimate, the people should have been told that before they began their work, and they would have had a chance to reconsider the matter and decide whether with the large increased cost, they would go into the agreement with the Hydro.

MR. JEFFERY: I would like to ask you to be allowed to get the actual facts before I make any statements.

THE CHAIRMAN: You can do that this afternoon ?

MR. JEFFERY: Yes, and I will give you the actual bases on which the estimates were made. I do not want to talk from memory ; I have several hundred to look after, and I cannot remember them all.

COMMISSIONER HANEY: You will also be able to state where you expected to get power ?

MR. JEFFERY: Yes, that will be shown in the estimate. I would like to have a chance to get that.

THE CHAIRMAN: Certainly, you should have a chance.

COMMISSIONER HARRIS: The second estimate was made after you found you could not get the power from the source you expected ?

MR. JEFFERY: Yes.

Q--And that was made before the work of construction started ? A--Yes.

Q--Was that told to the municipality ? A--Yes.

Q--Can you get that information ? A--Yes.

THE CHAIRMAN: That is very good; if you made an estimate and never presented it to them, it would be different.

MR. CASSELMAN: Your first estimate was $35 ?

MR. JEFFERY: I think that is so.

Q--You found that you could not get power from the source you expected, and then your second estimate was $46, and we actually paid $46 for a number of years, and then after all the work was done and all the installations made, it was increased from $46 to $76.73 and then again to $85.

COMMISSIONER HARRIS: Notwithstanding the fact you

had increased consumption ? A--Yes, somewhere in the neighbourhood of at least 300% above the amount of horse power we were supposed to take.

THE CHAIRMAN: Which normally should have resulted in a reduction ? A--Well, that is the argument wherever you go, and that would be the logical result.

COMMISSIONER HARRIS: You are taking all your power from Cedar Rapids ?

MR. JEFFERY: Yes, for that district.

COMMISSIONER HARRIS: Was any approach ever made to the Beach interest ? Have they power to sell ?

MR. CASSELMAN: Yes. We made the Hydro a proposition last winter in connection with that, but they were not interested.

COMMISSIONER HARRIS: Was that at lower rates than they are paying ? A--Yes.

COMMISSIONER R.A.ROSS: What was it ?

MR. CASSELMAN: Mr.Beach is here himself, and he can present his case and give you more detailed information than I can, but the proposal was that Hydro in order to get the benefit of the 50% government bonus should take over this Beach plant and run it, or for him, and he would deliver the service at $50 per year service charge and 3¢ kilowatt hour in a district where I understand Hydro had asked $60 a year service charge, and something like 10¢ per kilowatt hour.

MR. JEFFERY: There was an offer made. We have that offer on the file.

THE CHAIRMAN: We will hear from Mr.Beach later on.

MR. CASSELMAN: I think that is all.

THE CHAIRMAN: You will be here if we want to ask you anything further ?

MR. CASSELMAN: Certainly.

COL. L.W. MALLOY, V.C.

I want to start where Mr. Casselman has left off in the matter of the estimates as against the actuality of the Hydro figuring. Very briefly, I want to point out something which you probably know as well as I do, that we have at the front of Dundas County all the power of the De Loupe Rapids through the Beach people. That plant was put in about 1910, and it is an excellent plant. Mr. Beach had three manufacturing plants in the village of Winchester, 20 miles away; the plant is at Iroquois, and he immediately started to work up sentiment for Hydro in Winchester and Chesterville. At that time I know Hydro was not supplying Brockville, Prescott, and no towns in the East. It was not in Eastern Ontario, and I am speaking of Hydro policies and methods. Learning that a little village was thinking of starting up with a private enterprise, they sent down to Winchester and Chesterville, their engineers or canvassers, and a very strong propaganda for Hydro was put up, Mr.Beach considering he could get his available surplus power for the three plants. Hydro made an estimate in Winchester of $24, and Winchester is paying $85 today.

THE CHAIRMAN: Who made the estimate of $24?

A--The Hydro engineers that were canvassing in the town. They said, "We are going to get power from the Waddington development at $11.00."

Q--Where is that? A--That is straight out to the front and across the river.

Q--In the United States? A--Yes, I think Col. Wesley Allison was interested in promoting the Waddington scheme. No, it was Mr. Connolley. I do not know whether you would describe it as a promotion mirage, but it never came into actuality, and the Hydro today are getting power

for $15 instead of $11. The spread between $11 and $15 hardly justifies the spread between $24 and $85. Anyhow they got the contract with the Winchester and Chesterville people, and Mr. Beach went to Prescott 15 miles west, as he had a splendid plant only using the opening in the weir, by putting in two more units and developing 1200 more horsepower. He received a letter from the Chairman of the Commission saying: What are you doing this for? You know we will take all the power you have got; we will need it. Mr. Beach retired and the Hydro got the Prescott contract. By this time they built their line through , and they have taken the natural market of this De Loupe Rapids plant, and they have nothing to give when they get it; they have no power available. For a short time, about a year, they drew from Morrisburg Municipal plant, Then the Rapid power Company of Morrisburg went to Mr. Beach, and Mr. Beach for a very low price, $10 plus 75 horsepower delivered free in Winchester to his plant, which brought it up to about $18 undertook to furnish for one year. At the end of that year, he notified the Hydro he would get off, that he could not furnish at this price, and he would get off unless he got a more reasonable price, and he submitted a draft agreement to the Hydro. This draft agreement was for 1,000 h.p. at $16 per h.p. for 10 years. The Hydro asked him not to cut off until they had time to consider this. This went on for two or three months, and Mr.Beach had cut his estimates pretty well to the bone, as he heard of the big stick methods, and I think every private owner in Ontario knew something about it by that time. They finally said, "We cannot accept this offer; we will give you $13 a horsepower," and Mr. Beach wrote back and said, "This does not interest us." Leaving out certain very large costs, and counting only the bare super-structure and the plant which was the first Swedish

generator in this country, and which I got at introductory prices, the bare cost is $13.56. The Hydro said, "If you do not take $13, we will be compelled to take such steps to acquire your power as may be advisable." That is one difficulty when you clothe a commission or anybody with power to expropriate. That in itself is not vicious, but the power to threaten, coupled with the present ability to execute is vicious. That is something amounting to assault. You do not have to hit a man to assault him; if you threaten him, coupled with the ability to carry it out, that is assault. Mr. Beach went on to supply the power -- he had to -- for three years, not at will but under the scourge of a threat. He could not go on and make arrangements for his rural line, because he was not a free agent, He could not go to the County Council, as he did afterwards, and get his franchise, nor could he go to the Government and get a charter, nor get the farmers signed up in contracts. When they dropped Mr. Beach, they came along one day and said? "We do not need you after tonight at twelve o'clock." That was the notice. Mr. Beach has here taken from the Hydro's own books the cost to the municipalities of Prescott, Winchester and Chesterville. When the Hydro cut the Beach Plant off and connected up with the Cedar Rapids, the rate in Chesterville went from $46 to $76; in Prescott from $25 to $55; in Winchester from $42 up to $69. That is the immediate result, whether it is from dislike of private enterprises or going and buying the natural power which is available and for sale, I do not know.

MR. JEFFERY: How much;

MR. CASSELMAN: Enough for Dundas County and more.

COL. MALLOY: Bringing it from Quebec east, a situation is emerging, and you might as well see it. If a man contracts with me at cost to deliver limestone for building purposes to my premises, perhaps he gets 10% extra over cost, but my

consideration is I am getting it at cost. I would like Mr. Jeffery to consider this: if there is a limestone quarry half a mile away which is available, I would like to ask why should I pay for hauling from a limestone quarry 10 miles away? The proposition is simple. Look at it. Winchester and Chesterville have relief in any court of equity in this land if they want it, because the Hydro is supposed to do everything reasonable to keep down the cost. It is going by the natural supply and bringing it a long distance at a much higher cost. If you hold that the Hydro can go by the natural supply of that county and bring the power from Cedar Rapids and Compel Mr. Casselman to take it at $85, it is just as absurd to say they can go to Shawinigan Falls, and compel him to pay $185. There is relief there; there is no question about it. Mr. Beach today has his franchise and his charter, he has apublic utility and he has his right-of-ways and his agreements and one thing and another and about 18 miles of line up. I might correct Mr. Casselman in one point, his charge is $30 per year standby charge, and 6¢ per kilowatt hour, and after the first 50 it drops to 3¢.

MR. CASSELMAN: That is the way he has applied it on the agreement.

COL. MALLOY: The agreement says 6¢, but he is giving it for 3¢, and that is not an estimate; it is a contract. When the Hydro were in Winchester, Mr. Beach said: I will not send out any estimate. I will sign up and bind myself to deliver you power for 30 years at $34. The Hydro said, We will do it at cost. Mr. Beach is putting the line straight back. Another two weeks of open weather and it will be within eight miles of Winchester. What is going to happen when Mr. Beach says: "Hydro, you are contracted here to deliver at cost. We will deliver into your station in Winchester and Chesterville, the requisite power for $45." Mr. Beach can

do it. That is the situation that has developed in Dundas County. Personally I am in favor of Hydro, but I am not in favor of our Hydro methods. In other countries they get away from monopolists for the good of the general public. In this country, we seem to want it. Down in the United States they break up the huge organizations and say: "People must have competition; you cannot have monopoly." But in Ontario we say we love that sort of thing. We create a Hydro Commission and we say: Here are powers of expropriation.

THE CHAIRMAN: That is a public body; it is not a private body. The public owns the railroads.

COL. MALLOY: That is all right. Let us put your proposition on to our public railroads. When the national roads do not get enough revenue they come back to our legislature and say, "We want ten, forty, or fifty millions of your moneys," and we give it to them or refuse it. But if Hydro was your national road, we would say: "We will give you power of expropriating the C.P.R. your natural competitor and the barometer of your efficiency. We will give you that power. When you have that done, go to work and take the entire capital investment, the preferred first, second and third, the bonds and stock and sinking fund and all the rest of it, add it all up and divide it up and say what the passenger and freight traffic must bear." What would you think of a Government that would do a thing like that? Yet we have done it. We have taken a public body and clothed it with powers of expropriation, and while expropriation does provide legal protection for the man who has his property expropriated, the threat of expropriation does not. We say to the Hydro: "Go out and pick up and draw in the private enterprise; stifle competition. Say to the private enterprise 'We will give you ruinous prices for your product',

threaten him, compel him by threat to give you his product at ruinous prices that will force his plant into the market at junk prices",-- and then we appoint Commissions to see what is the matter.

Q--Would you limit their power of expropriation or modify it? A--I certainly would. If we are ever going to get relief, it will be by not destroying Hydro but encouraging private enterprise, and you cannot do that so long as Hydro has power to dictate to other plants in this Province.

Another point, and it is most obvious to me, Mr. Lucas told me we have something over 20 auditors at the University Avenue offices, which have been for months there whittling away perfectly good pencils at our expense when the fundamental -- I would say -- system is upside down. Let me put it this way: If you take a business, whether corporation, public body or what it is -- and say to it, "I will give you a steel-clad guarantee against ever having any deficit; I will give you a steel-clad guarantee that your income will exceed your expenditure," then what is the use of appointing auditors, or appointing committees of inquiry to find out what is wrong. I do not think, no matter how much you try, you will find anything irregular in the Hydro accounts. Sir Adam Beck is a man of high honour, and the system is thoroughly inspected, but here is where the difficulty comes in: Mr. Beach starts to build a line, every dollar that he loses or spends unnecessarily is a dollar lost for his wife and family. The Hydro starts to build a line, every dollar that it loses or spends unnecessarily is a dollar more revenue. Am I right there?

THE CHAIRMAN: It is a dollar more expenditure and it has to be met out of revenue, I suppose.

COL. MALLOY: Exactly. Every dollar that is lost by

mistake or extravagance is a dollar more income. No matter what mistakes they make, it must all be met out of this wonderful system of power at cost. I am not a user of Hydro. I use the municipally owned and municipally run light from that plant in Iroquois, except when it is broken down. It is broken down most of the time. To my mind there is a weakness in any system at cost. If the Hydro Commission and its officers by dint of hard work and applying themselves to economy saved $5,000,000, it would not add 1¢ to the pocket of a single director or member of the staff down to the humblest employee. If by going as-you-please, they spend $10,000,000 extra, it does not take 1¢ away from any of the staff, from the Chairman down to the humblest office boy. If we hold that that makes for economy, it seems to me we are looking at it from the wrong point of view.

THE CHAIRMAN: They represent the people who have to foot the bills. Is not that sufficient inducement to try to keep down the expenditure in every possible way?

COL. MALLOY: They are beginning to hear from the people. With a continuance of this system, it will be nothing, to what they will hear later. I think the time will come when even Toronto will find that this system is not the right system. I am not here to make recommendations to a Commission of such talent as is here.

THE CHAIRMAN: Why not?

COL. MALLOY: I thought what you wanted to get was the situation.

THE CHAIRMAN: We do.

COL. MALLOY: Then you make the recommendations. I am only a layman; I am not an engineer.

THE CHAIRMAN: We would like to have your views as to what our recommendations should be?

COL. MALLOY: I have simply placed before you a little bit of Hydro methods. I point out to you that rather than use Beach they have gone to Cedar Rapids, and having done so, they have given the people of Chesterville and Winchester a chance of relief from the courts if they want to. That should not be necessary, because they have not done all that is reasonable to keep down costs, and I pointed out what seems to me -- I may be wrong -- is the obvious thing, why a scheme on the basis of cost is wrong in its inception and must work out a hardship somewhere. "How are you going to correct it?" you say. It strikes me that one of the first things to do would be to encourage private enterprise. We do not want monopoly in this country, even though it is at cost. Give private enterprise a chance and take away from the Hydro the power of expropriation which it now has, which it very seldom uses except in the way it used it with Mr. Beach, that is by threat. The threat is sufficient to get the action it desires.

THE CHAIRMAN: Cannot power be supplied to a community cheaper by one system than by two independent systems operating in the same place? A--As a general rule if you take the matter of laying down three gas mains on one street --

Q--That is about the same thing? A--That is absolutely waste.

Q--There is a great deal to be said for having monopoly if it is properly conducted and is of a public character, like the post office; it is a monopoly?

A--They take up Mr. Casselman's idea exactly.

Q--But the principle is the same? A--3¢ will carry a letter to Iroquois or Vancouver.

Q--They are better able to do it than if there were a number of systems doing the same work, and they will do it cheaper? A--Undoubtedly there is something to be

said for it, but when the post office revenue does not meet its expenditure, it has to go to Parliament.

Q--Or raise the rates; they have raised the rates?

A--Or raise the rates. Here we have a system that is always raising the rates in the rural sections.

Q--Mr. Jeffery says in some instances they decrease the rates? A--I think in Toronto and Hamilton they do.

Q--They have been increasing them there?

A--They have not done it in the St. Lawrence district.

Q--Your criticism is on the administration of the system. rather than on the system itself?

A--I think that letter from which I quoted to you verbatim a sentence, positively unscrupulous; it was attempting to intimidate Mr. Beach into giving his power at a price ruinous to him, and he could not say, "I won't do it."

Q--Can you let us have that letter? A--Yes.

Q--You have it here? A--I will let you have it this afternoon.

Q--I understand from you in matters of expenditure your view is perhaps this: That the Hydro lacks the steadying influence of personal liability for the amount expended that the private individual has; if he pays more for his undertaking he has to make it up himself in some way?

A--Yes, in this way: the post office is an example and other government departments are an example , but they have no system which ensures that there will be no deficit; They do not have to come back yearly on the St. Lawrence system and say: There is a deficit there. If they did Mr. Casselman would say, "Why is there a deficit? I will tell you why there is a deficit: you refused to buy power cheaper than you can produce it." I say that is a bad system. They did not give Mr. Casselman that chance. They simply pressed the button and shifted the rate from $80 to $85.

Q--What object had they in paying anyone else more for power or in developing power themselves at a greater price than they would pay for the amount offered to them by Mr. Beach? A--To get rid of competition.

Q--If they bought the power from him they would not have any competition? A--No.

Q--Why should they want to pay more to someone else?

A--But they could not get Mr. Beach's power at the price they offered for it.

Q--You say he offered it to them at very much less than they had to pay someone else? A--Mr. Beach said he would put power into Winchester at $45.

MR. BEACH: That is the estimate.

COL. MALLOY: It is pretty close. The Hydro is under contract to deliver at cost to the Winchester people; they charge them $85.

THE CHAIRMAN: If Mr. Beach is willing to put his power in there at $45 or $50, why should not the Hydro take power from him? Can he give all they require?

A--Absolutely -- there in Chesterville.

Q--Anything more? A--There is another point. If you have the map you will see Winchester is immediately north of Morrisburg about 18 miles. There are 18 miles of high tension line which carries Hydro power off the Cedar Rapids line at Morrisburg and then on to Chesterville. Now, there is the question of rural lines. Let the Hydro stay in Winchester and Chesterville, let it be the agent to give the cheapest power. I think an arrangement could be made; Mr. Beach's line is 18 miles west, and these two roads are the main north and south roads of the county; what used to be the gravel road north of Morrisburg and the gravel road north of Iroquois. Mr. Beach goes back on one and Hydro to the other. All the people practically live on the east and west

roads. The Government said: "We wish you could think up some scheme by which this 50% bonus could be given to the farmers of Dundas County," because he is giving it to them at a rate that they could pay. He was basing his rate on the fact he would get that 50% bonus. I think we can come to some arrangement by which the municipality can own its distribution lines east and west; that they can be built by Mr. Beach on the 50% basis, and after a reasonable return on his plant -- a reasonable return based on the cost of the investment, depreciation, power rentals from the Federal Government and so on, retiring his bonds and the municipality own the east and west lines.

Q--Has Mr. Beach tried to negotiate with the Hydro to arrive at some working arrangement with them? A--We are just getting a lawsuit settled with them now. That proposition was presented to them.

Q--What did they say to it? A--Mr. Beach would take over that other line that runs north and south, and this line he is now building north and south.

MR. BEACH: That was not in the proposition.

COL. MALLOY: It could be arranged. Hydro would remain in Winchester and Chesterville, and it would be there to see the people got a square deal, and Mr. Beach is ready to contract to deliver power there. The idea was Mr. Beach would build the rural lines at $1500 per mile, and that 50% bonus would come to the farmers; they all live on the east and west side lines, and those farmers would own those lines. I do not see anything wrong in it myself. Of course if Mr. Beach would come to an arrangement with the Hydro and get that other line too, they would have one of the finest distribution systems in the Province.

COMMISSIONER HARRIS: Q--How much power can Mr. Beach develop? A--He can develop 1200 h.p. without increasing the intake at the head of the canal.

Q--The canal is capable of producing more than that?

A--Slightly over a mile an hour, and by enlarging the openings at the head, it is capable, according to the report of Engineer Holgate, of 2500 h.p. It is capable of looking after the need of that whole district. Iroquois is 15 miles from Prescott, and Prescott takes 250 h.p.

THE CHAIRMAN: Do you wish to say anything about this now, Mr. Jeffery?

MR. JEFFERY: I would rather wait until this afternoon when I get the information. I do not want to make statements I cannot back up with actual facts.

JAMES W. McLEOD, M.P.P.

THE CHAIRMAN: You are a member of the Legislature?

A--Yes.

Q-- For Stormont County? A--Yes.

Q--Mr. Casselman is also a member of the Legislature?

A--Yes, for Dundas County; we are side by side and we know each other's troubles so far as rural distribution of Hydro is concerned.

Q--Have you any troubles? A--Yes, we have because we have not any Hydro. We have not got it in the rural sections, and that is why we are here to see if we cannot get it. Our farmers are clamoring for Hydro power, but they do not wish to go into it under present conditions when they do not know what they are going to pay for it. On the figures of the estimates submitted to Dundas County, they refuse to go into it. I myself personally canvassed the people in the Township of Cornwall to see if we could not get them to go in there, and they refused to sign up the contracts until they knew nearly definitely what they were going to pay for it.

COMMISSIONER HANEY: Are the estimates perfectly satisfactory? A--No, the estimates were not satisfactory in this way because the burnt child dreads the fire, and we are right close to Dundas County and they know what was represented to them would cost $45 is now costing $85.

Q--Would $50 as a maximum estimate be satisfactory?

A--I think we could sign up a great many farmers on that estimate.

Q--If that was the maximum? A--Yes, and not exceeded by that, that is the point. There is another point too: we cannot understand down there, more especially in the Town of Cornwall -- We have been dragged into this, and I was in hopes the Commission would make a trip to the Eastern part of the Province, and they would hear the story of the trouble between the Town of Cornwall and the Hydro. Personally I took no part in the campaign down there. When this trouble took place I thought it was purely a domestic question that the town should settle themselves. Then there was the vote on the extension of the franchise which incorporated the street railway system which is linking up with the Sun Life people who own the gas plant and electric distribution plant, and the Town of Cornwall did not wish to lose their street railway which is not a paying concern, but taken in conjunction with the others they were able to run it under present conditions. It was the extension of the street railway franchise down there that was up at the time, and for some reason or other I could not see how the Hydro Electric got mixed up in it, but we had a representative of theirs and other advocates opposing the granting of the franchise. I was asked to enter into the controversy and I said, No, I thought it would be imprudence on my part to take any part in a domestic question of the Town of Cornwall,

and I thought the Hydro coming in there were acting in a very imprudent manner, trying to settle the case for the Town of Cornwall. I have always given the people of the Town of Cornwall credit for having good common sense and being capable of taking care of their own troubles.

THE CHAIRMAN: Who invited the Hydro to come in?

A--I do not know; I think there was a sort of Citizens Committee down there. I have heard but I would not be able to tell you who invited Hydro into the matter. Of course we had happenings, and those who were advocating the extension of the franchise brought up the question of Hydro coming into Cornwall, but it was not a question of Hydro coming into the Town of Cornwall because Hydro was there, and Hydro is there today supplying not the municipality but several institutions in the town. The Hydro cohorts were defeated in that question. I do not know whether the Town of Cornwall were justified or not, but anyhow the Town said, "We will extend that franchise," and I do not think they are sorry except in one parthcular. It has been said that the big stick was used to a certain extent, and I will go into this briefly because I have hopes the Mayor of the Town of Cornwall and the Councillors will be able to take this matter up, if you have them before you. They thought this was purely a rural discussion or we could have had some of them here today. These gentlemen thought they might have another opportunity to present their case to you. What I want to get at is this: After this vote was taken and pending the time it was being taken, the Town of Cornwall was negotiating with the Eugene Phillips Electric Manufacturing concern who were intending to move from Montreal. They were intending to locate in the Township of Cornwall. I am Clerk and Treasurer of the Township of

Cornwall, and they came to the Township, and the Council of the Township made very good arrangements with the Eugene Phillips people in connection with their site. The Town of Cornwall also made arrangements in connection with water supply. The next question to come up was the matter of power. The Eugene Phillips people liked the situation in Cornwall; they liked our class of workman; they liked the location for many reasons -- they were going to locate right on the banks of the St. Lawrence where they were going to have a dock. Our street railway service has the right to ship freight cars over the system any place in town. Box cars, freight cars go right into the yards of any manufacturing concern, we have, which is a great convenience. Another thing they were taken up with was the class of labour, principally French Canadians, very satisfactory people who are not subject to strikes. The Eugene Phillips people wanted to come to Cornwall. We have three railways running in, the New York Central, the C.P.R. and the Grand Trunk, and in conjunction with that the street car service to help our manufacturing industries.

The next thing was the question of power, and of course the only power available at that time was the Hydro Electric. I might say, while we have the Cedar Rapids, passing our door, with a transformer station at Maple Grove, three miles above the town, Cedar Rapids at that time were exporting a lot of power over to Massena to the big Aluminum Works there. Hydro stepped in and they said to the Cedar Rapids people: "We are going to build this transformer station to supply this district; we will buy a certain amount of power from you"--I think 10,000 h.p. at the time at $15 a h.p., though I am not sure, it might have been $14.50, -- "you must sell to us and not sell to anybody else." There was no written contract

to that effect, Gentlemen, -- the big stick was all there was, for this reason, that the powers that be of the Hydro Electric said, "Here, we have the Minister of Customs, with us, and he says if you do not do this he will stop exporting to Massena." There are copies of letters to that effect, and I think if the Hydro office files were looked over, they could be found there. That is where the big stick came in, but it did a little more than that in connection with this one deal. The Eugene Phillips people wanted to come to Cornwall; the town tried to get prices from the Hydro Electric, and it was there I was drawn in. They waited and waited. We went down to the Hydro Electric Office on several occasions, and "they were working on it"-- I got that quite often. At last one day I got my Scotch up a little bit, and I went in and demanded a price; I was not going to be put off any longer; the Eugene Phillips people wanted an answer from us, and I wanted to give them an answer for the Township of Cornwall. In the course of a few days after that, there was a price submitted to the town which dalled for $32 per horse-power,--understand this power is costing them $15 per horse-power.

Q--When was this? A-- This was two years ago-- was it not?

MR. JEFFERY: About that time.

MR. McLEOD: In June, two years ago.

THE CHAIRMAN: Was that a fixed price or an estimate?

A--That was a fixed price, and that was not to be reduced, as you will see later.

Q--Or increased? A--I would not say that about being increased, but that was not to be reduced.

MR. JEFFERY: You said it was fixed.

MR. McLEOD: It was fixed as far as reduction was concerned. It was fixed for a term of years, I think it

was 30 years.

Q--Do you know definitely whether it was fixed--not to go up or down? A--I know it was fixed not to go down.

Q--Do you know it was fixed not to go up?

A--No, because there is where the Eugene Phillips kicked because they had another term from the City of Brockville quoted by the Hydro at $35 per horsepower.

MR. CASSEEMAN: My understanding of Hydro practice is that if they sell power at cost, how can they quote a definite price of $32?

THE CHAIRMAN: They can fix a definite price to private corporations.

A--They are doing that in the Town of Cornwall at the present time, to the Toronto Paper Company; the Howard-Smith people, and the Cornwall Pulp Company. I do not think there is much profit in that deal for the Hydro Electric. But the question arises that it cost the Hydro $15, and taking it into the Town of Cornwall, about a mile, they have to change $32 for a block of 3500 h.p.

Q--How was the difference made up? A--I could not tell you, Sir.

COL. MALLOY: There was an expensive transformer station there.

MR. JEFFERY: It is quite expensive.

MR. McLEOD: That is the transformer station that supplies Winchester, Chesterville, and Brockville, and all these places along the line, so the cost should not be so much for this 3500 h.p. which was available to Hydro at that time. The consequence was that the price was quoted at $35 for Brockville, and it was on a scale that they were to come down so much each year.

COMMISSIONER HANEY: And go up too?

MR. McLEOD: Well, I suppose they would, but they were to have any advantage. That was in the letter to them from the Hydro Electric as far as Brockville was concerned: They would have any advantage in the fall in prices. There was another thing that looked good to them: And here is where the big stick comes in. The Eugene Phillips people's biggest customer is the Hydro Electric, and when the Hydro intimated by their prices: "We want you in Brockville," where would the Eugene Phillips people go?

COMMISSIONER HANEY: Who was using this big stick?

A--The Hydro Electric were using it, and that is why Mr. Casselman probably brought in the matter of the big stick in connection with the Town of Cornwall. We feel as though the big stick had been used on us. We had just as good facilities and offered just as good inducements, and I know from the Eugene Phillips people that they preferred Cornwall.

Q--And they went where? A--To Brockville.

Q--They are there now? A--Yes, and they are manufacturing and expect to increase their plant considerably.

THE CHAIRMAN: What will they pay for power there?

A--$35 was the quotation. I think Mr. Jeffery will correct me if I am wrong in that.

Q--Do you suggest that Hydro used its influence to make them go to Brockville? A--Probably there were no words to that effect, Mr. Chairman, but when they knew that they were the big customer of the Eugene Phillips people, it was implied, as Col. Malloy said,--the threat was implied to all our minds in Cornwall. I am taking this matter up; I am not as well versed in it as those in close touch with it, the Boards of Trade and Town Council. They have all the letters from the Eugene Phillips people, and the data. I have none of them here because I did not think this would be touched on at all.

The matter of rural distribution is a big question.

Mr. Casselman has said it is a question that affects the whole of the Province of Ontario because what affects the country no doubt is reflected in the prosperity of the town, and something has got to be done on the farms in regard to the distribution of electric power. There have been various suggestions made. I am against the bonus system; I think it is a vicious system. Where is the bonus coming out of--the Public Treasury. If something can be done that this can be met possibly the same as the fund is built up by the Workman's Compensation Board, out of the business itself, then I would not be so much against it, but if it comes out of the consolidated revenue of Ontario, I am absolutely against it, and I would vote that way in the House, notwithstanding the fact that it may be something that the rural inhabitants would be benefited by. If it could be built up out of the business itself by a tax. as Mr. Casselman has suggested, I would approve of it, the same as the Workman's Compensation is built out of the people affected by it.

COMMISSIONER R.A.ROSS: That tax would be imposed on the other power users and distributed to the farmers, and would not come from the Government as a bonus?

A--It would be a fund built up out of the power rights, we will say.

Q--Would it be paid for by other power users? A--Yes.

Q--And contributed to a special class of power users? A-No.

COL. MALLOY: No, it is a royalty on the power.

-

-

-

-

-

-

COMMISSIONER R. A. ROSS : The power users in the whole system would have to pay that royalty ? A--In all communities.

Q--They would have to pay that royalty in their power bills ? A--Yes, including the farmers.

Q--And that amount then would be put into the farmers' pockets. How do you think that would appeal to the general public ? A--I think it would appeal to the broad minded man who recognizes that fact today, because in the cities and towns today there is a large population that recognize the fact that the farmer is handicapped by not getting power.

Q--I am with you, but -- A--I think all broadminded men recognize that fact.

Q--The question with us is : How can we make any suggestion of that kind that is so manifestly unfair; it will have to be something different from that. We are in a difficulty to know what to do. We are with you, I think. I can see your point, but how can we do it and do it equitably and logically and so it cannot be twisted against other people's interest ? A--I believe the composition of this Board will work out something.

COL. MALLOY : Is it not true that the Post Office system taxes the town for service in the country ?

COMMISSIONER R. A. ROSS : Yes, but the Post Office system is for everybody, and it is used by everybody and it is practically a necessity, but everybody does not use power.

THE CHAIRMAN : There are some power systems where the farmers live close by and pay high prices, much higher than paid by you and some others. They would object to a tax that would raise the prices still more, I fancy ?

MR. McLEOD : No doubt; it is very objectionable to most people when any tax is put on them.

Q--You want us to devise a tax that they would be willing to accept ? A--If you can do that you are more than mortal.

Any Commission that could do that would be some Commission.

MR. CASSELMAN : While we are talking about tax on power and levying a tax for revenue purposes to be used for the equalization of power, I would like to point out this comparison between the way Quebec treats her water powers and the Province of Ontario treats her water powers. In the Province of Quebec in the year 1920-1921, there was realized from power pritiliges in taxes in one form and another the sum of $367,571, and since 1914, $1,146,994, paid in to the public treasury of the Province of Quebec from water rights. Of course all the people of the Province benefited on account of the receipt of that money. We propose to levy a tax in the Province of Ontario and use that fund for the purpose of equalizing the rates, but instead of the Province of Ontario realizing a revenue from the water powers, as Quebec does, we have since the inception of Hydro paid over $2,000,000 out of the consolidated revenue for the purpose of extending Hydro service, and we have taken in practically nothing in the way of water rental.

THE CHAIRMAN : We have taken it in indirectly. It goes to the Niagara Falls Park Commission which otherwise would have to be supported by the Government.

MR. CASSELMAN : I say that rental should go directly into the consolidated revenue, and that the Niagara Falls Park Commission should apply to the Legislature for the purpose of keeping up that park. I want it understood that I am not criticising the work of the Niagara Falls Park Commission, because that is something we are proud of, and it should be kept up liberally, but the point I want to make is that nothing is paid into the consolidated revenue from water rights in the Province of Ontario, but on the other hand we are paying out something like a quarter of a million dollars a year for the purpose of the Hydro Commission

which is not charged to users, and in the Province of Quebec they get a substantial revenue from the water rights.

MR. McLEOD : The ground on that section has been covered pretty well by the two gentlemen who have preceded me. Other parts of the Province want to have something to say on rural lines. I want to state now in my own County, the Village of Finch a couple of years ago took a vote on the question of putting in Hydro. That would be an extension of the line from Chesterville east to Finch, six miles. The Reeve of the Village of Finch told me what was submitted to them at that time was $46 per horsepower. They provisionally adopted their bylaw and took a vote on it. It was carried. There was hardly anybody voted against having the Hydro come in, but after the vote was taken and before the Council finally dealt with this bylaw to go into this scheme, they were notified the price would be $65 and some cents. The Reeve, who is a pretty determined fellow and likes to do business in a business way, said to the Council : "I won't sign that bylaw", and they backed him up, and the bylaw has never been signed although they were threatened with dire calamity by the Hydro Commission if they did not sign it. The fact of the matter now is that the Village of Finch are entertaining negotiations with Mr. Beach. I want to know why a public owned utility like the Hydro Electric of the Province of Ontario, something which we should be proud of and are proud of to a certain extent -- it is the biggest thing of its kind in the world and we are proud of that fact -- why it is becoming a burden? If a small producer of power like Mr. Beach can come in and compete in these small places, there must be something wrong with Hydro Electric. We want to boost the Hydro but we want to get it at a price we can afford to pay for it. The farmers today are beginning to figure, and they are not going

which is not answered by money, and so the Tradition of Gaston
they put a substantial reserve from the money supplies.

Mr. Mabbs: The general is that medicine has been
observed pretty well by the two institutions the home pro-
ness. Other parts, if the profession want to keep monopoly
any of moral issues. I want to state now in my own language
the villages of Mabbs a couple of years ago took a strong
the question of publicity in Mabbs. That was a bone
of the Lion Club Committee. Some to Mabbs, the
the Town of the Mabbs Club could be very, very
Mabbs Club to Town of that time was Gaston Bourgeoys.
Very practically adopted their opinions and tried with us to
it was carried. There was usually meetings were opinions
putting the Mabbs, some to, but after the vote was taken
and before the Council finally built with Gaston Bourgeoys
into this scheme, they were notified the people would
[illegible] some action. The Bourgeoys, who is a pretty decent
fellow and liked to do business in a business way, said to
the Council: "I don't care what they know", and they broke
him up, and the fellow has never been elected although they
were disappointed with this outcomes by the Mabbs Commission
if they did not elect him. The task of the matter was to
that the Villages of Mabbs are contributing respectably with
Mr. Mabbs. I want to know why a public school
the Mabbs Municipality of the province of Canada, considering
which is directly to pay [illegible] and one pound of to a contribution
[illegible] — it is not too [illegible] of the land in the [illegible]
and we are proud of their work — why is it [illegible]
it a small [illegible] of people like [illegible]
[illegible] [illegible]
[illegible]

to pay these exorbitant prices when they can get it from Mr. Beach at a smaller price.

COL. MALLOY : They are not sure of even $85 ?

MR. McLEOD : No, there is nothing there about the price. That is the condition down there. There have been various suggestions made as to what is the proper solution for the problem, and I have discussed it with quite a few. The zone system has been mentioned today; I do not know how far that has been gone into. Personally I think that is a partial solution of the question, to divide this Province into zones where there would be an equal rate. Of course right across the border of that zone, it has been pointed out, the people would get a cheaper rate, but that would be a better solution to all these differences. Our small places will not grow under those conditions;it tends to build up the large centres where they can get power and get it cheap. We will never grow and we would like to grow, but we cannot under present conditions. I do not like the suggestion made about the tax, but there ought to be some way of getting this down so we would know what we are going to pay. If it is $100, let them say $100. If you go into the store to buy anything, they tell you the price, and you are satisfied to pay it or leave it, and that is what the Hydro should do. Their estimates fall 50% below what the actuality is. We want a price. Surely it is not now in the primitive stage or experimental stage as to figuring out what the Hydro is going to cost in the various places. They ought to know what it is going to cost right off the bat. They know what it is going to cost for the juice - $15 per h.p. - why cannot they give us prices right off the bat ? Of course the price is increased considerably, as Mr. Gasselman pointed out, by the large overhead. I might say right now, coming back to Chesterville,

that line in my opinion and in the opinion of men who understand the question far better than I do, and even in the opinion of the Hydro Electric, cost far more money than it should. It was too expensive a line for the small amount of business on that line. I was told last night by the Hydro man in the Town of Cornwall that it was the intention to run through to Russell. That was a curious thing. In the first place, Russell is 22 miles out of the City of Ottawa where the Hydro is at the present time, and it was going to take it from the transformer station about 60 miles away, off the Cornwall station. That is one reason I think why the cost in Chesterville and Winchester is so high, the overhead and primary cost of that line was too great at the time. I do not know where the fault lies or what the idea was in putting in an expensive line like that.

THE CHAIRMAN : Will you give us the exact figures ?

MR. JEFFERY : I will give you the exact figures. I would like to ask Mr. McLeod who told him we were going to run on to Russell. I have charge of that particular line.

MR. McLEOD : Did not they say in the Annual Report, Mr. Jeffery ?

MR. JEFFERY : I could not say.

MR. CASSELMAN : It was proposed to continue the line to Russell.

MR. JEFFERY : I asked who it was told you the line was going to run to Russell ?

MR. McLEOD : It was a gentleman in the Town of Cornwall who is working for the Hydro Electric. He is not stationed there, but just in there for the last week or so. There were five or six Hydro Electric men - they come in in flocks.

Q--There are construction men and linemen all over the

country? A--These were not linemen. They were there over Sunday. If you willlook up your records you will know who was down there.

COL. MALLOY: There is a map in the report showing the line projected to Russell.

MR. McLEOD: The only thing I would like to say we would like to see you down in that section. They are not all as long-winded as Mr. Casselman and myself, but they will give you the facts.

COL. MALLOY: Is it not perfectly obvious the extra cost comes in when you go by the power some 20 miles?

MR. JEFFERY: The only extra cost would be the extra cost of delivering it at Cornwall, and I do not know what getting it from Mr. Beach would cost.

Q--And the extra mileage? A--Yes.

----Adjourned at 1.15 until 3.00 P.M.

NOVEMBER 7TH, 1922, 3 P.M.

RESUMED.

J.G. LETHBRIDGE, M.P.H.

West Middlesex.

Mr. Chairman and Gentlemen of the Commission:

You have a great problem before you: The distribution of Hydro Electric power to the rural constituencies. In the Western part we have not the difficulties possibly that we heard discussed this morning by those who represented the Eastern sections of the Province. We get our Hydro power from Niagara and we have no difficulty in the matter of the supply. I was led almost to feel this morning from the discussion that was brought out by the different speakers from the Eastern section that possibly the solution

of this difficulty would be in the line of the suggestion that the Committee reported to the Government, of which I was Chairman. That may be the appointment of a Minister of Power who would look over the whole situation of the Province and in the development of the water powers of the Province, he would be a man directly responsible to the Government and through the Government to the people and he might be able to solve some of these difficulties. I am sometimes inclined to think, that maybe one other solution of this trouble would be something along the the line by which the farmer solved the telephone trouble. There was a time when this Province simply had the Bell system and it was found necessary to organize rural systems and in thatway we solved the problem of their rural telephone service largely and I sometimes wondered if perhaps that would not be the solution of the whole difficulty in this Province, to have the development of our smaller water powers that would supply certain areas and that would get rid of some of the difficulties we are now working under. Of course in the Western part of the Province we are supplied directly from Niagara.

THE CHAIRMAN: You mean you would have local power companies just as you now have local telephone companies?

MR. LETHBRIDGE: Yes, where there was a water power available that should be developed.

COMMISSIONER HANEY: That is a question that would have to be gone into.

THE CHAIRMAN: Do you make any recommendation on that point? A--Nothing more than I think that would be something for you to report, that that would be a feasible thing to do and it is for the Government to look into the development of water power and development of power at a cheaper rate.

Q--Do you suggest that the Government should make some

grant towards that scheme, they did not make any grant to the telephone companies? A--No, my thought was that the Government should take hold of this as they are doing now out of the consolidated revenue of the Province, the Government is paying for all investigations and so on and that might work out a solution; however, that is by the way.

THE CHAIRMAN: Does it occur to you that some of these small water powers would cost a great deal to develop and the cost per capita of horsepower might be much higher if you developed a small local power than if you got the supply from a great source like Niagara? A--That might be.

Q--Have you made any investigation as to that? A--No, that is just an unworked out idea I had in my mind. There is this about the problem confronting you, the rural distribution is so tied up with the small urban centre that you can hardly separate the two and I would be sorry to see any division along the line of country and town or city and country. The problem as I see it is to develop power so that it will be for the interest of the whole Province, develop our industries all along the line and you cannot separate the rural problem from the small urban problem. It was brought out this morning by Mr. Harris that you would be taxing for a certain class, the farmers, that would not be my idea. I think in considering this whole question that we are bound to take in small urban centres as well as the farmer.

THE CHAIRMAN: The incorporated village and hamlet?

MR. LETHBRIDGE: Yes, if we had time we could go into the annual report of the Hydro Commission and show you that there is a very vast difference in the price paid by the small urban centres in comparison to what is paid by large centres. For instance, take the City of London where they get their power for $19 a horsepower and if you go out to Glencoe we

are paying $78 a horsepower and it is only 20 miles further out and Mount Bridges, 15 miles from London pay $70 a horsepower, showing that there is a vast difference paid in the large centre and theprice paid in the small urban centre closely adjoining. My proposition would be that some solution could be worked out whereby we can help these small urban centres as well as the farmer and possibly get over some of the difficulty which we find the present system working under and that is the idea of centralizing in the big centres. Let me give you one example, we had a public meeting in the Village of Glencoe to consider a matter of building a mill. The farmers in the community and the Board of Trade in our little village met together to talk over the matter of building the mill, a miller was present and he asked the price of power in Glencoe and we told him $78 a horsepower and then he asked what they paid in London and we told him $19 and he said at once, "You cannot compete with power at London at $19 a horsepower and pay $78 in the Village of Glencoe."

THE CHAIRMAN: You might have certain advantages in Glencoe, you might have cheaper land, cheaper labour and less taxes and other things? A--Possibly that is correct but we are thinking of the power problem just now.

Q--Did you get the mill? A--No, the thing fell through, and nothing came of it.

The County of Simcoe had a somewhat similar experience and the County Council passed a resolution along the line of Hydro distribution in which it was stated that the miller in one place paid $20 a horsepower and the miller in another place paid $60 a horsepower and yet they are supposed to sell flour and cheap food at the same price.

COMMISSIONER HARRIS: Have you a municipal distribution plant in Glencoe? A--We have had one now for two or three years.

THE CHAIRMAN: How does the cost of power in Glencoe compare with the cost before Hydro was established?

A--There has been a slight reduction even in the time we have been going, I think that is due to the fact that a couple of small villages have come on between our transmission plant and Glencoe, I think we are down now to $65 a horse-power, we have not been running long enough to tell very much with regard to that. We are not finding fault with the cities getting cheap power by any means, we know they take a bigger quantity than we can take. I have one charge paper from a consumer in London who uses 61 kilowatt hours in a month and it costs him 2¢ a kilowatt or $1.22; in Glencoe that would cost me $4.88 or over 400% more. Applying that to the farmers situation, just ten miles out of the City of London at the present time in the Township of Lobo they are installing Hydro for farm purposes and before going into that I want to correct that statement made this morning with regard to that $99 service charge and I have a Hydro paper for this development in the Township of Lobo and in the little Hamlet of Komoka about ten miles from London the service charge was $60.82, and the total annual cost was $99.70 and in London ten miles away the service charge for domestic purposes for an ordinary house is 50 or 60¢ a month, whereas the service charge in this case is about $5 a month, that seems to be a very great difference.

THE CHAIRMAN: How is the service charge made up, Mr. Jeffery?

MR. JEFFERY: It is supposed to cover interest and sinking fund, renewals, and operation, based on a certain number of customers per mile on the line; we figure on three farmers for each mile, or the equivalent to third class, and the service charge is calculated to meet these costs with this load on each mile of that line.

MR. LETHBRIDGE: You furnish so much energy or power up to a certain number of hours and after that you charge for the power over that.

MR. JEFFERY: The farmer is a power consumer and that is class three power and I think you are referring to lighting consumers.

MR. LETHBRIDGE: I was thinking of the farmers house lighting, that is the lighting service and it is pretty much the same as in the city, that is, the service would run a washing machine or a churn or any of these small affairs just the same as they use in the city, that is class two.

MR. JEFFERY: That is a power service and not a lighting service, you are comparing a farm power service with a domestic lighting service.

MR. LETHBRIDGE: Supposing you go back to class one and then you have two classes which are alike.

MR. JEFFERY: Class two is an isolated house in the country on a long stretch of line with no other house near it and it has to have a special transformer established to supply that house, whereas in a town sometimes you will have 20 houses supplied from one transformer, perhaps more than that, therefore the costs are less in the City. If you take the hamlet service and compare it with London it is the same as in the City.

MR. LETHBRIDGE: The service charge in a hamlet is $20.70.

MR. JEFFERY: That is about $1.75 a month against 75¢ in the City.

MR. LETHBRIDGE: I am speaking of light farm service, where they run a separator and a churn, that is not power.

MR. JEFFERY: Yes, you can use a motor with that, that is distinctly different, you will find you can use a motor with that.

MR. LETHBRIDGE: Up to what horsepower?

MR. JEFFERY: Three horsepower.

MR. LETHBRIDGE: That is the point I was trying to make that there is that difference and possibly I was mistaken in comparing the different classes of power. I know that in my own case and in the case of a relative in the City of London, I pay 400% more for the lighting service, for the same service, 8¢ a kilowatt, than he is paying.

MR. JEFFERY: That is 8¢ for the first few hours, it is cut to 2 ¢ after that now.

MR. LETHBRIDGE: There is a change there.

MR. JEFFERY: The maximum follow up rate for any domestic service in any municipality is 2¢, it might start with eight but it drops to two.

COMMISSIONER HARRIS: Does that apply to his service on the farm?

MR. JEFFERY: The Commission has not definitely approved of that for farms yet, that is a matter for the Commission to say.

THE CHAIRMAN: Is there a 2¢ follow up rate on the farm? A--No, a maximum rate of 2¢ , in some places it is as low as 2¢ but generally it is more than that because it is away out in the country where there is a long transmission line, Whether the Commission will decide to adopt a maximum follow up rate for farms, of 2¢ I do not know.

MR. LETHBRIDGE: The point I wish to make is that in this farm lighting service it costs the farmer $99.70, allowing him to use 14 hours of service, at 9¢ a kilowatt and after that it is reduced to 4½, he is charged for his first 14 hours 9¢ a kilowatt.

MR. JEFFERY: He is charged for the first 14 hours at

9¢ and then it is reduced to half of that for all that he uses during the month, his service charge is $60.82, we figure his total bill during the year including the service charge and his meter rate would be $99, it may fall below that or above, depending on how much he uses. As I said before this is a power rate; in the City of London if the customer had the same amount of power he would have for that $1 per horsepower a month plus the consumption charge-which would be, if he used five horsepower, $60 a year for the service charge-and then he pays for his consumptions after that, so that there is not much difference in the cost of power to the farmer and the cost of power to the man in the town.

MR. LETHBRIDGE: We are glad to know these things, what we want is the facts. After considering this proposition in the Township of Mosa, the farmers felt that they could not pay $99 a year for the service they got besides paying for the installation of the plant which is quite heavy; you must not forget that is including 50% of the transmission line, so that if we did not get the bonus it would be considerably higher. However there seems to be that discrimination. As a farmer I felt that it was discrimination, not that I was blaming the Hydro Commission or anybody else. We are not here to say anything against the Hydro Commission we believe that they have done great work for the Province but the system has grown to such magnitude and there seems such a variety of prices that it seems to be necessary to come to some understanding whereby it can be equitably distributed and at a more equitable price. I think we will all agree that the solution of this matter is generally conced_ed, and possibly the Hydro Commission themselves concede, that the difficulty of supplying rural districts where there are only two or three or four to a mile in comparison to a

city where there are three or four hundred to a mile. The trouble is to get over that difficulty and make it possible for the farmer to have some of these conveniences of life and benefitsof life because there is nothing in my mind that will be of greater benefit to the agricultural districts than to supply them with electric light and electric energy. If there is any woman in the world that should have electric washing machines it is the farmer's wife and if we can get some solution whereby the average farmer can get some of these conveniences that is the problem before us and if we can do that we will do much to help solve the problem of rural depopulation as well as depopulation of small urban centres. It is a fact that our small urban centres are going back just the same as the rural constituencies are going back, there is a great tendency to centralize in big cities.

THE CHAIRMAN: What is your plan?

A--I quite understand that the Commission would be anxious to get some idea of what would be our plan in order that you might be in a position to make a recommendation, the plan suggested in the report we handed in to the Legislature was a rental idea or a taxation idea. We looked over the whole situation very carefully and although there are a great many people in the Province that feel the flat rate was the proper system yet we felt that the Hydro had gone on under the present system so far and so many municipalities had issued debentures and the matter had got into such gigantic proportions that it might be a difficult matter to re-adjust it and have a flat rate therefore we did not favor that idea but we favoured the idea of a rental and that principle is already recognized, it wasbrought out this morning that a rental is paid and is used for the purpose of keeping up Victoria Park at Niagara. I do not see anything wrong with

the taxation idea and using the taxes to help the farmers. We use the revenue derived from the timber limits and distribute it all over the Province for other purposes and I see no difference in taxing our water powers and using that money for whatever purpose the Government may see fit to better conditions generally all over the Province. I have with me a little clipping taken from a Michigan paper, where they appointed not very long ago a service commission to go into the whole question of water powers of the State of Michigan and happening to be in Detroit I found this editorial in the Detroit News commenting upon this question and it says, "The first thing the Commission should find out and the information it should get is just what the State rights are in this matter" it says, "They should no longer be left in doubt as it is quite apparent that there is a source of revenue which might easily pay all State taxes for all time to come." That is a big statement, you are not taxing the City man to pay for the country man, you are taxing everybody who uses powers. I am a farmer and I use power and I pay taxes but you say that is for the general benefit of the Province, I mention that to show you that that is in the mind of the people of Michigan, that the taxation idea is quite feasible and proper. How it should be used is another question. I want to say right here that I think Mr. Commissioner Haney struck the very ideal system this morning, absolutely the ideal system and the very ideal that the Committee that was appointed by the Legislature had in mind and that is the Province should capitalize the whole system of high tension lines all over the Province. In criticizing the Hydro Commission in what they have done in the past we must remember that it has grown up from a very small beginning and now it has got into a very huge affair and to my mind the great problem before the Province

today is this Hydro Electric question and by doing what Mr. Haney suggests we would get as near the average rate as it is possible to come.

MR. JEFFERY : Is not that an absolute flat rate?

MR. LETHBRIDGE : It may cost one municipality twice as much as another municipality to distribute but that would be up to the municipality. It is pretty hard for the Hydro Commission to get over that. I believe in the Hydro Commission supervising through their engineers but the putting in of the plant should be left to the municipalities themselves and if you could work out a scheme along the line that was suggested this morning and distribute at a fairly uniform rate, of course we must recognize that the city should have power possibly cheaper than in the town or country, but this fairly uniform price that has been suggested would be an absolutely ideal system. The Committee of which I was Chairman felt we had gone so far and so many debentures had been issued that it would be hard to rip them all to pieces and for that reason we suggested the other idea.

THE CHAIRMAN : I think the suggestion this morning was that the cost of these trunk lines should be distributed over all the users of power? A--Yes, I think so.

COMMISSIONER HANEY : Make that part of the total capital investment just the same as building the power plants.

COMMISSIONER HARRIS : It would not relieve the municipalities of any responsibility.

COMMISSIONER HANEY : None whatever.

COMMISSIONER HARRIS : You would not relieve the municipalities of the liabilities they have assumed and load that on the Province? A--No.

COMMISSIONER HARRIS : Each municipality has assumed its own liability, and while they do not know what the liability is we will try and inform them on that point.

MR. JEFFERY : I do not know whether everybody is clear

as to what the scheme is that you have suggested and what you suggested this morning, to me that is a flat rate scheme to all municipalities in the Province.

MR. LETHBRIDGE: Practically.

MR. JEFFERY: I understood you to say that and I understood you to say you did not mean that to be a flat rate scheme.

COMMISSIONER HANEY: That is probably what it amounts to because you would make the capital expenditure for a million horsepower at $200,000,000 and that would be $20 a horsepower for all the Province and all municipalities would pay the same. I might add to that that we will have a very, very large expenditure now that necessarily will be a flat rate because all the development at Chippawa and other points is on a flat rate and my suggestion was to add to that the cost of the high transmission lines and put them all in one pot and then you would get a flat rate for power all over the Province and there would only be indidental expenses, but they would be minor.

COMMISSIONER HARRIS: Take the capital expenditure on all the systems combined.

COMMISSIONER HANEY: Not municipal systems but all power development systems.

MR. LETHBRIDGE: It was said this morning that it would be an unjust principle to carry energy all over the Province at practically a flat rate and it was suggested that it would be unjust to think of carrying energy all over the Province at practically a uniform rate and Mr. Harris brought up the question of carrying freight at a uniform rate. Mail is carried all over the Province at a uniform rate. Practically anything I get on which I have to pay freight charges or express charges is made uniform to a certain extent. For instance, I buy a binder at Glencoe

and I can buy that binder just as cheap as I could in the City of Toronto and the binder is made in Toronto; the manufacturer pool s the freight rates and he makes the man who lives close by the City pay the freight rate of the man who lives 150 miles away in a certain zone.

THE CHAIRMAN: I suppose the manufacturer in the City of Toronto seven miles away from the source gets his power just as cheaply as the manufacturer that lives a block away from the source of distribution.

MR. LETHBRIDGE: The same principle is worked out in our school system, in the interest of poor sections the Government steps in and gives them a grant out of the revenues of the Province and the weaker sections are assisted out of the general funds and I do not think there is anything wrong in that idea,

COMMISSIONER R.A.ROSS: You are dealing with a commodity which is just the same as coal. Electricity takes the place of coal and it is used by a certain proportion of the people but the school section is something which is on a different basis altogether.

MR. LETHBRIDGE: We have come to recognize that electricity is an absolutely necessary service and it has got to be given to those on the back concessions if you are ever going to keep the balance between the city and the country.

COMMISSIONER R.A.ROSS: You are suggesting a new doctrine.

COMMISSIONER HARRIS: The Hydro system is a new doctrine. When Hydro was first thought of in the Province it was started by a few municipalities adjacent to the Niagara system, they felt that they wanted to be placed in as nearly as good a position to those who resided adjacent to Niagara Falls as possible and therefore they appointed themselves into a Hydro Union and supplied the funds and accepted the responsibility

of building transmission lines from Niagara Falls to serve their various municipalities. Hydro at that time made a very favorable contract but did not enter into the question of developing power, it was a very simple matter, these municipalities got power at Niagara Falls plus the cost of carrying that power to the doors of their municipalities. The whole situation has changed since then.

MR. LETHBRIDGE: Yes, very much.

COMMISSIONER HARRIS: They have 13 systems scattered over the Province of Ontario and in the meantime the Government has stepped in and supplied all the money for this development and that money is coming from you in Glencoe and from the man up in Northern Ontario who gets nobenefit from Hydro, the Government is the banker and that changes the whole situation. I am very sympathetic with your view about rural municipalities that are really discriminated against under the present policy. Every municipality throughout the Province is anxious to do something to make that municipality grow, they want people there and they want industries and they cannot get them. This question of power at cost, the slogan that has been used up to the present time, it seems to me is about worn out and we have to develop some new idea or thought in order to save Hydro.

COMMISSIONER R.A.ROSS: These 13 municipalities that went into the scheme were using coal;at one time they might have pooled their requirements and purchased their coal in bulk just the same as they purchased power from Niagara and I do not think that would be introducing a new feature.

MR. LETHBRIDGE: That would not enable them to have an advantage over other municipalities.

COMMISSIONER HARRIS: And these municipalities would not have come to the Government and said, "We want you to be our banker."

COMMISSIONER R.A.ROSS: No, they did not come to the Government, the Government said you must take our banking.

COMMISSIONER HARRIS: The man back in Glencoe or Cornwall would not get any benefit out of that.

THE CHAIRMAN: Supposing Niagara Falls were turned over night from a water fall to a coal mine and we had to get our coal from there, do you think the Provincial Government should carry coal all over this Province at the same rate.

MR. LETHBRIDGE: If the Government put the money of the Province into that mine and owned the railway then I would say pretty nearly.

THE CHAIRMAN: The Government owns the railway now and they do not charge the same price for carrying freight from one point to another.

COL. MALLOY: You hold the principle evidently that it is impossible to violate the law that the man who lives near the power must get it cheaper than the man who lives 100 miles away.

COMMISSIONER HANEY: That is the act.

COL. MALLOY: We live close to the supply and we are buying power from Quebec and we don't want it. We claim we have the right to have the benefit of the argument you are now using. The County of Dundas is securing power from Cedar Rapids and it is forcing Chesterville and Winchester to pay $85 as against the estimate cost of $24.

THE CHAIRMAN: That same principle is applied in everything. They donot apply it in the postal service because it would cost a great deal more to charge different rates than the benefit they would secure,

MR. LETHBRIDGE: One thought in connection with the bonusing idea: I quite agree with what the gentleman said this morning that it does not seem fair to take a bonus out of the taxpayers of the Province and tax those who have no

use for Hydro and compel them to help pay that bonus to those who are getting the benefit of having Hydro. I am opposed to that but I am absolutely favourable to the principle of taxation and I am absolutely willing to pay my share of that taxation in proportion to the power I use and I believe the right thinking people of The City of Toronto if they only had the matter put up to them fairly would see it in that light and they wouldbe willing to help localities that are far away from the source of supply and who are practically isolated.

COMMISSIONER HANEY: Is not it quite possible to conceive that the non-user of electric power for power purposes gets a little benefit from the fact that there is cheap power in the Province of Ontario?

MR. LETHBRIDGE: I suppose so, he gets cheaper produce.

COMMISSIONER HANEY: He is not left absolutely out of the picture and for that privilege should not he pay a certain amount for the benefits that accrue to him?

MR. LETHBRIDGE: Possibly.

COMMISSIONER R.A.ROSS: Supposing the Province gets $2 a h.p. on all the power developed in the Province for the benefit of the rural lines?

MR. LETHBRIDGE: I would not say they should confine it to rural lines.

COMMISSIONER R.A.ROSS: Small urban centres and rural lines.

MR. LETHBRIDGE: Or any city or town paying an exorbitant rate.

COMMISSIONER R.A.ROSS: That would be paid by all municipalities.

MR. LETHBRIDGE: It would be paid by power and light users. If that was taken from the consolidated funds it

might be said justly enough that is a service rendered by the Government. If you take a narrow view of it and look at it from the viewpoint of Toronto or London or Hamilton, it might not look in a favourable light but if you look at the general good of this Province it is for the benefit of the city man as well as the agricultural and if you take a broader outlook of the whole matter you will see that it is absolutely correct.

COMMISSIONER R.A.ROSS: You used as an example a farmer who could not pay $99 for two horsepower, how many hired men would that take the place of?

MR. LETHBRIDGE: Not very many, but it would be a great convenience to the farmer.

COMMISSIONER R.A.ROSS: It would do the work of sawing wood and things of that kind?

MR. LETHBRIDGE: That don't mean much to the farmer in the way of hired help, it would lighten his labour but it would not do away with a hired man.

COMMISSIONER R.A.ROSS: Then the farmer does not need power?

MR. LETHBRIDGE: It would save the time of the hired man considerably.

COMMISSIONER HANEY: It is just like the washing machine, the work is done by the woman but it saves labour for them.

COMMISSIONER HANEY: Where the Hydro is taken you will find this margin all around the edge of people whoare not able to pay for it and the bigger you make the Hydro the more of these people you are going to have, all these things that you speak of are just on the edge of what is possible and what is not possible. There are points beyond which power cannot be sold, it is not economic. You must recognize

the fact that there is such a limit.

MR. LETHBRIDGE: You are still narrowing your view, the farmer living near the City of Toronto or Hamilton or Brantford who goes into the dairying or some special line of agriculture, he is able to pay and to use these conveniences if they do cost him a little more but the average farmers who have some of the benefits of life and power and comfort and ease, if you are going to keep a proper balance between the country and the city.

THE CHAIRMAN: There are a great many farmers who get power cheaper than the people in the City, Toronto is not near Niagara and it does not get cheap power because it is near Niagara.

MR. LETHBRIDGE: The problem to my mind is a broad one and this electrical power should be given to the rural sections andthey should not have to pay an exorbitant price. I hope we are not selfish.

THE CHAIRMAN: This tendency towards great centres of population was in full force long before Hydro existed and would be in full force if Hydro did not exist. The whole tendency towards centres of population has been the tendency for years past and is due to far deeper causes than Hydro. There are lots of places in this country where people could manufacture cheaper than they can in Toronto although they have to pay more for their power. There is a clear solution for it all and that is to send power by wireless and if something was invented of that kind your difficulties would be solved.

MR. LETHBRIDGE: If we enter into a 20 year contract to pay $20 and if wireless comes into effect five years from now we would not get much benefit from it.

COMMISSIONER R.A.ROSS: Supposing we had a flat rate throughout this whole country then everyone in Ontario

would be entitled to the same service at the same price and an outlying municipality away up in Muskoka would have the same rates exactly.

MR. LETHBRIDGE: Supposing you lived in Muskoka how would you think about it?

COMMISSIONER R.A.ROSS: I would be getting something at the expense of the public and I would take it just the same as anybody else would and I would like to get it if I could but you are asking us to make such representations to the Government andwe say to you, "How are we going to present this to the Government and what will they say to us." How can we determine who is to get this and who is not. The people away up in Northern Muskoka would be entitled to get it at the same price as people near Niagara and you would load the whole proposition up with unprofitable business and it would fall to the ground eventually.

-

-

-

-

-

-

-

-

-

-

-

COMMISSIONER HARRIS: If you put the power at such a cost that people cannot use it then it would be useless. There are other means of making power that would be a great deal cheaper than electrical power. I do not know whether any estimate has ever been made of what it would cost to cover this whole Province with rural transmission lines but I imagine the cost would be so great that it would make power so high that nobody could use it.

MR. JEFFERY: Yes, it would eventually have that effect.

COMMISSIONER R.A.ROSS: The cost of power is the cost of money, the operation costs are a bagatelle compared to the capital investment and interest and sinking fund and depreciation and in order to carry it to a distance you have to spend money, you cannot get away from that.

MR. LETHBRIDGE: Nobody is asking the Government to furnish power at less than cost, our proposition is that the fellow who is getting a mighty big advantage should help those who are not getting that advantage.

THE CHAIRMAN: That is instead of selling power at cost you want some people to get it at less than cost and others to pay more than cost ?

COMMISSIONER J.A.ROSS: You take the position that it is your birthright to get power at cost and Mr.Ross is arguing the economic side.

MR. LETHBRIDGE: It is my birthright if the Province of Ontario takes part of my money to develop water power and gives it to somebody else, I seriously object to that.

COMMISSIONER R.A.ROSS: I quite agree with you on the birthright basis.

COL. MALLOY: I could never use Hydro but I am a taxpayer and a citizen and I have an equity in the water powers and you are taking $250,000 a year out of the consolidated revenue to develop these powers and nothing

[illegible]

[illegible]: Is not the power of [illegible] and people moved so by this it really is [illegible]. There are other means of making power that would be a great deal cheaper than electrical power. I do not know whether [illegible] has ever been made of that. To get to cover this whole development with rural electrification [illegible] I imagine it would be so great that it would need power [illegible] so large that nobody could use it.

[illegible]: [illegible]

[illegible]

CHAIRMAN [illegible]: The cost of power in the rural areas; the operation cost is a burdensome expense to the rural investment and interest and [illegible] and transmission and in order to carry it to a distance you have to spend money, you cannot get away from that.

[illegible] to furnish power at less transmission, but [illegible] that the farmer who is receiving liberty big advantage should help that the one not getting that advantage.

[illegible]: Just in instead of [illegible] power [illegible] at some you [illegible] some people to get it at [illegible] and [illegible] to pay more than [illegible]?

CHAIRMAN [illegible]: You take the problem that it is your straightest to get power at most and [illegible] is equally the economic [illegible].

[illegible] of [illegible] that part of my [illegible] to [illegible] [illegible]

CHAIRMAN [illegible]: I [illegible] [illegible] in the [illegible] [illegible].

[illegible]: I [illegible] [illegible] and I [illegible] [illegible] and [illegible] [illegible] [illegible] [illegible]

is coming in.

COMMISSIONER R.A.ROSS: The Act says that the municipalities are the owners and they are responsible to the Government who merely taxes their note and the municipalities are empowered and directed to collect enough revenue to pay the Government and the Government has no ownership in the Hydro at all, except in Central Ontario.

COL. MALLOY: $250,000 a year is paid out of the consolidated revenue.

COMMISSIONER R.A.ROSS: The Government may pay in bonusing rural lines but nothing else. The Hydro returns to the Government interest and sinking fund and I have formed the conclusion that the Government has no responsibility whatever except as banker. There is a mortgage or bond issued by the municipalities and they are responsible and they are charged up with certain capital cost and they can be sold out to pay the cost.

MR. CASSELMAN: Col.Malloy has mentioned this expenditure of $250,000 a year that is taken from the consolidated revenue; last year I think the amount was $265,000 and since the inception of the Hydro over two million dollars has come out of the Province in connection with the Hydro.

THE CHAIRMAN: Part of that was for making preliminary investigations and service.

MR. CASSELMAN: Over two million dollars of the people's money has been used for this purpose and the users of power get all the benefit of that and there should be something coming into the revenues to offset that and I pointed out the difference between Ontario and Quebec in that regard. Quebec realizes a substantial benefit and Ontario realizes nothing.

THE CHAIRMAN: Does Mr.Beach wish to speak ?

in coming in.

CHAIRMAN MACK: I do not know that the municipalities are the worst, but they are responsible to the Government, the people think it is into one the municipalities are supported and allowed to collect money levied to pay the Government. And the Government has to provide at the bottom of all, money to carry on.

MR. MILLER: Why don't you pay it back to them?

CHAIRMAN MACK: The Government may pay in Township equal land but nothing else. The light revenue to the Government interest and sinking fund and I have learned the minister that the Government has no responsibility whatever except on lands. There is a municipal land levied by the municipalities and they are responsible and they are charged up with certain capital and they can be sold out to pay the cost.

MR. CHAPPELL: Mr. McKay has mentioned the expenditure of $100,000 a year that is taken from the consolidated revenue; last year I think the revenue was $[illegible] and place the location of the Ontario and Northern Railway has come out of the revenue in construction [illegible]

THE CHAIRMAN: Part of that was for permanent and necessary investigations and surveys.

MR. CHAPPELL: Does the [illegible] railway has to be used for this purpose in the [illegible] year but the benefits of that land there [illegible] to compensate owing into the revenue to offset that and [illegible] and the difference has [illegible] to that report. [illegible] a substantial [illegible] [illegible] [illegible]

MR. BEACH: Thank you, I do not think it is advisable to say anything as the matter has been pretty well thrashed out but I have with me a copy of the letter that has been referred to.

THE CHAIRMAN: This is the letter received by Mr.Beach and was referred to this morning :

"Your letter of the 6th inst., addressed to Mr.Gaby was brought to the attention of the Commission at their last meeting and I was instructed to write you stating that the Commission were prepared to pay you $13.00 per H.P. per year, from the date when they first started taking power from you, for a term of ten years and upon the conditions set out in the draft agreement which has been sent you. Failing this, I am further instructed to say that they will be compelled to take such steps respecting the acquiring of your power as they may be advised. Yours truly, W.W.Pope, Secretary."

R. T. JEFFERY.

It is rather difficult to know just where to start as most of the evidence put in this morning was matters of opinion on which I have nothing to say. There are certain points I will try and clear up. I did not have very much time to get all the information that I require as there are quite a number of files to go over and it is impossible to go over them in an hour.

THE CHAIRMAN: Have you the original estimates given to Chesterville ?

MR. JEFFERY: Yes, and I was going to deal with the Chesterville matter first. In 1912 an estimate was prepared in connection with the matter of supplying power to the municipalities in the St.Lawrence District on the basis of getting power from Morrisburg. The estimated rate for power supplied from Morrisburg was $13.40 per H.P.

Mr. BURNS: Thank you. I do not think it is worthwhile to say anything on the matter has been pretty well threshed out but I have sent to a copy of the letter that has been referred to.

THE CHAIRMAN: Note to the letter received by Mr. Leech and now referred to this morning:

"Your letter of the 8th inst., addressed to Mr. Burns brought to the attention of the Commission on this last meeting and I was instructed to write you concerning the Commission were prepared to pay you $15.00 per diem per year, from the date when they first started taking evidence from you, for a term of ten years and upon the conditions set out in the draft agreement which has been sent you. Nothing else, I am further instructed to say that they will be compelled to take such steps respecting the availability of your power as they may be advised. Yours truly,

(Signed) [illegible]."

R. J. DUNCAN:

It is rather difficult to have just where to start on such of the evidence put in this morning was neither of consequence or value. I have nothing to say. There are certain points I will say and clear up. Lights are here very soon also to get all the information I require so there are quite [illegible] or time to go over and it is impossible to go over them in a hurry.

Do CHAIRMAN: Have you the original evidence given to Commission?

Mr. DUNCAN: Yes, and I was going to make the recommendation in connection with the matter of engineering [illegible] to the delimitation in the difference disputed in [illegible] power from [illegible]. [illegible]

In making estimates, as you know, you have to start off with certain definite loads delivered to certain definite points and in making these estimates I want to tell you what loads we used and at what points the loads were to be delivered. This estimate is dated October 7, 1912, Winchester 150 H.P. without sinking fund. The rates would be : $20.81 Chesterville, 75 H.P.; $35.34 Russell, 1,000 H.P.; $22.74, Embrun, 200 H.P.; $26.87 and Kenmore 100 H.P., $26.80. The load at Russell which was not mentioned this morning, of 1,000 H.P., was never obtained, that was for a brick plant and the load at Embrun was never obtained, 200 H.P., and the load at Kenmore had never been obtained, 100 H.P. All of these loads lie to the north of Winchester and Chesterville and they were not obtained and it necessarily follows that the cost of power to Winchester and Chesterville must increase.

THE CHAIRMAN: Did you tell Chesterville that their rates depended upon these other places taking power ?

A--Yes, all this information was given to the citizens of Winchester and Chesterville.

Q--In writing ? A--I do not know that it was given in writing, I have not been able to get all the letters in connection with the matter and all the information which I would have liked to have had before making this explanation but there were meetings with the councils and since I have been working with the Commission the councils of the different municipalities have been given all the facts and figures in connection with the estimates.

Q--Were they told that possibly these points might not come in and if they did not come in the price of power at Chesterville would be $75 or $85 per H.P. ?

A--That I do not know, but they were told, as far as I can gather, that the estimates were based on these loads

and if they did not get the loads the estimate would change.

Q--When you found these places fell down and were not going to take these loads, did you notify the people of Chesterville so that they could have an opportunity of dropping out ? A--These loads were not obtained before the lines were constructed.

Q--Should not you have made sure that you would have secured these loads before going ahead ?

A--You cannot always get the private companies to sign up for power as soon as the municipalities require power.

Q--The municipalities look to you to protect their interest and you should have given them a chance to drop out when they found the others were not going to take the load ? A--It was fully expected with the information we had at this time that these loads would be obtained.

Q--But they were not obtained ? A--No.

Q--Could you not have put these people in the position that they could have dropped out ? They had no idea when they went in that they would have to pay this higher rate, it seems to me that you omitted that and put them in the position where they had to take power at a higher price, whether they wanted to or not. Would not common prudence have led you to see that the whole thing was carried forward together ? A--Possibly with the information that we have now, ten years later.

MR. GABY: When these municipalities went into that they knew that Russell was not going into it and these municipalities were advised of that and other arrangements were made to deliver power to these municipalities.

COL. MALLOY: At $24 to Winchester.

THE CHAIRMAN: At what date was that ?

MR. GABY: That was at a later date.

THE CHAIRMAN: Before they committed themselves ?

MR. GABY: As I remember the rate was determined on the character of the service they would get, as to whether it would be a high tension line or a low tension line.

THE CHAIRMAN: Is that all shown by correspondence ?

MR. McLEOD: The 1914 report of the Hydro will give you that information, Russell is not in that at all.

MR. JEFFERY: The first estimate submitted to Chesterville was $44 and the first estimate to Winchester $24, all these estimates were submitted. These towns are only about eight miles apart. There was some discussion as regards the difference in rates to these two towns and the matter was taken up with the Commission and they approved of pooling the cost of power to these two towns at the rate of $35 a H.P.

COMMISSIONER HANEY: The price went up in one case and down in the other ? A--Yes, the first estimate was based on securing power from Morrisburg at $13.40 and at that time the Commission had a contract for that power but the company did not carry out the terms of the contract and it was necessary to get power from a small plant at Morrisburg that only supplied 150 or 200 H.P. at the rate of $15, plus the carrying charges on the line from the plant with interest at 4% and operating charges added to that, that was carried on up until 1916. In 1916 the rate for power for Chesterville was estimated at $46 per H.P. per year, based on the past history of the power supply. In 1916 the load had grown so much in these towns that it was necessary to get a different source of power and that was when power was first taken from Iroquois, from the Beach plant.

Q--What did that cost ? A--That is in dispute now, I do not know what it will cost, I believe it has been placed in the hands of an arbitrator.

Q--What is the price you figured it was going to cost ?

A--$12. Power was taken from Iroquois for approximately three years, before that time it was seen that we would have to get more power for the district, Brockville, Prescott and the other municipalities and in 1916 or 1917 the matter was taken up with Winchester and Chesterville with regard to the extension of lines to Cornwall to take power from a station which the Commission were to build at Cornwall and to furnish power from the Cedar Rapids Company. The matter was taken up with the councils in Winchester and Chesterville and a letter was written to the municipalities and resolutions forwarded to them and I have a copy of that resolution here and a copy of the memorandum of the Commission stating that when the signed resolution was received from certain of these municipalities covering the extra supply of power from Cornwall, the matter would be taken up with them and I will read that resolution, this is a copy of the resolution which was passed by Chesterville and Winchester. I have not the actual resolution that was signed because I had not time to look it up, this copy is not dated but it was sent out for signature on July 20th, 1917. This is the letter : "Mr.George Elliot, Clerk of Chesterville : In accordance with the understanding reached by representatives of the municipalities on the St.Lawrence System at the recent conference with Sir Adam Beck in Toronto we are enclosing herewith proposed form for the resolution of the Council dealing with the matter of a satisfactory supply of power for the St.Lawrence System to be delivered at Cornwall from the lines of the Cedar Rapids and Transmission Company. If

this resolution meets with your approval we would recommend that it be passed by your Council and returned to the Commission at the earliest possible moment in order that no delay may be incurred in dealing with the power situation in a satisfactory manner." A delegation from these municipalities came to the Hydro office and this is the resolution we sent to them.

THE CHAIRMAN: When was the Chesterville plant put in ? A--That was about 1913. This is the resolution : "That whereas the present source of supply for the St.Lawrence System is insufficient for the needs of the municipalities thereon and whereas the Cedar Rapids Power and Transmission Company has agreed to supply the Hydro Electric Power Commission of Ontario, 10,000 H.P. electrical energy at 110,000 volts at a point adjacent to the Town of Cornwall and whereas the Hydro Electric Power Commission of Ontario has obtained a maximum rate for power supplied by the above company for use of the towns on the St.Lawrence System, including Chesterville; be it therefore resolved that this Council authorize the Hydro Electric Power Commission to forthwith proceed with delivery of power in accordance with the above which we approve, and take such steps as the Commission may deem advisable to contract for and supply such power and make arrangements to secure the necessary apparatus and build the necessary transmission lines, sub-stations, etc., at the earliest possible moment. Be it therefore resolved that the rate for 110,000 volt power delivered to the Hydro Electric Power Commission of Ontario from the Cedar Rapids Transmission Company's lines in the vicinity of Cornwall be submitted to the Dominion Railway Board for settlement."

COMMISSIONER HARRIS: What was the price under that contract ? A--15.

MR. CASSELMAN: What was the price of power to the municipalities ?

COMMISSIONER HARRIS: It appears to be $85.

THE CHAIRMAN: When the price of power was increased from $12 to $15 the price to the municipalities went up from $35 to $85.

MR. JEFFERY: If we could have obtained power from Morrisburg on the basis of which our first estimates were made and if we had obtained the loads on which the estimates were based we would have supplied power to these municipalities at the estimated rates.

MR. CASSELMAN: Whose fault was it that they did not take the power, it was on those representations that the people voted ?

THE CHAIRMAN: You knew just how much power Morrisburg could produce ? A--I think Mr.Gaby can answer that.

MR. GABY: The contract the Commission had was with the New York and Ontario Power Company and it was for the delivery of 15,000 H.P., unfortunately owing to restrictions placed upon it and the fact that it was not able to obtain authority to cross the canal, the company fell down and they were unable to build the plant to supply the power they had contracted to deliver.

COL. MALLOY: You were to get it from Morrisburg at $13.

MR. GABY: Anywhere from $11 to $13.

COL. MALLOY: The Beach Company offered to deliver power at Morrisburg at the end of your line at $11.

MR. GABY: The proposition would mean that instead of power costing Winchester $24 a H.P. it would cost the difference between $15 a H.P. plus a charge of $11, in other words the capital expenditure was already made to

serve Winchester, the liability is there. Largely the cost of power is interest, sinking fund and the operation of the lines and the capital expenditure. If you take that power away from the original source and obtain it from another source at a higher rate you have to pay the difference between these rates and the capital expenditure already incurred.

COMMISSIONER HARRIS: Did this company have a sufficient plant to supply Winchester and Chesterville ?

A--There would be sufficient for these two municipalities but not much more.

Q--The investment was already made and you were supplying power from the Beach plant to these two municipalities ?

A--Yes, sir.

Q--On the investment that had then been made ? A--Yes.

Q--And $46 was the cost price ?

MR. JEFFERY: I would not say that was the cost price, that was the estimated price made in 1916 which did not cover all the cost; however they were billed at that rate, that was the interim rate and the back charge was simply carried on the Commission's books.

Q--The statement has been made that the Beach Company offered to supply these municipalities at $45 ?

COL. MALLOY: They offered to supply Winchester at $34 when the first contract was made with the Hydro, they offered to supply Winchester at $34 for 30 years, no variations in the price up or down.

COMMISSIONER HARRIS: Then they make a contract with the Cedar Rapids Company and immediately the price goes up to $86.

MR. GABY: We had to spend a very large sum of money in transformer stations and lines to enable us to bring the power from the point we were securing it at $12 or $13 a H.P.

COMMISSIONER HARRIS: I cannot understand why these two municipalities after entering into this contract in good faith should be charged with that additional cost ?

A--Because it was necessary to deliver power to this group of municipalities who were in partnership and it required a great deal more power than the Beach Company could develop to serve these municipalities.

COMMISSIONER HARRIS: They were in a partnership up to a certain point only.

MR. GABY: No, there has always been Prescott, Morrisburg, Winchester and Chesterville, they have always been in partnership.

MR. CASSELMAN: The Beach plant had sufficient power to supply these municipalities.

MR. GABY: No, because they were supplied by steam from Brockville, Brockville was a partner with Prescott, Winchester and Chesterville and taking power from the Morrisburg plant. The Beach plant came in at a later date, even during the period the New York Power Company were supplying power.

Q--In 1917 they were getting power from the Beach Company ?

A--They were buying power at $10 in order to supplement and deliver power to the Commission until such time as they could complete financial arrangements for building a plant at Morrisburg and during that period that contract expired with the Beach Company. The Commission tried to make a contract with the Beach people to deliver until such time as additional power could be secured, we were prepared to take that power for ten years at a reasonable rate but we were unable to come to any arrangement with the Company. In reference to the Beach power we have not made arrangements and the matter is under arbitration at the present time.

THE CHAIRMAN: Why could not you have continued supplying Winchester and Chesterville with power secured from the Beach Company ? A--Because it would have cost us more to have done that we would have to supply the line in any case to serve Morrisburg and Prescott and Brockville and it would cost us more as far as the delivery of that power is concerned and we would have to add the additional capital expenditure to handle the power at $10 a H.P. and we are buying power at $15 at Winchester.

Q--Supposing you had just considered Winchester and Chesterville, could not they have been supplied power cheaper ? A--Yes, if we only had to consider Winchester and Chesterville there would not be any distribution system because these municipalities were too small, it was Prescott and Chesterville.

Q--If the Hydro had never gone into Chesterville or Winchester these municipalities today would be able to get power from the Beach Company at a lower price than they are getting it from you ? A--That I cannot tell, I do not know what would have happened. The conditions were that these municipalities entered into a partnership agreement and we had a contract with the New York and Ontario Power Company to supply power at Morrisburg and owing to the failure of financial arrangements they were unable to carry out that contract.

COL. MALLOY: When they entered into the first contract it was with Winchester and Chesterville, that was the first contract which they immediately went on and if you look at the map you will see that there is an 'L', a line straight south to the river and straight up to Prescott, that was the first line that was built and when that line was built there it was quite sufficient to supply, Prescott, Winchester and Chesterville and the Beach plant

had sufficient to supply them but when they wanted to get Brockville in it was necessary to have more power and they built this expensive line connecting up with them and they charged that on the consumers in the small village of Chesterville.

MR. GABY: Mr.Chairman, that is not correct, Brockville was a partner in connection with this proposition to taking power from the New York Company when the Company failed to deliver the power and we had been delivering power to those three municipalities previous to that and when we found the load was increasing rapidly it was necessary to get power from some other source to protect these municipalities and Hydro can deliver power cheaper than they could generate it with steam.

COL. MALLOY: At the present time you are sending power back from Cornwall west for 18 miles on three sides of the square to Chesterville.

MR. GABY: The lines to Winchester and Chesterville were built on the original scheme to supply power to Morrisburg and in order to get an adequate supply and meet the demands of that district it was necessary to build a line from Morrisburg to Cornwall and that was the only power available.

MR. JEFFERY: I might say that while the interim rates that Chesterville is billed for power is $85 the cost is $75.79, the difference is being used to wipe out the big deficit that was created when only a rate of $46 was charged, which did not meet the cost.

THE CHAIRMAN: Is there anything else in connection with the Chesterville plant, Mr.Casselman ?

MR. CASSELMAN: When the people voted on this proposition certain representations were made and through no fault of the municipalities of Chesterville and Winchester

the source from which the Hydro expected to get the power fell down and they had to go some place else and build expensive lines and we have to pay for it by paying a higher price for our power.

THE CHAIRMAN: Before these resolutions were passed had the Council of Chesterville and other places a written statement submitted to them showing what the probable cost of power would be from this new development at Cornwall ?

MR. JEFFERY: I think there was a written statement I did not have time to look it up.

MR. CASSELMAN: The people never had a voice in that.

THE CHAIRMAN: You say they knew nothing about it ?

MR. CASSELMAN: The people never had a chance to express themselves by ballot on that proposed change. We have been told the transmission line had to be built and that it cost money. During the war as I have said before copper wire was taken off that line and steel wire put on and we were told that would save us $17,000 and we would get the benefit of the reduction in rates.

COMMISSIONER HANEY: Did you feel it ?

MR. CASSELMAN: Yes, I did.

SIR ADAM BECK.

THE CHAIRMAN: The question of rural rates has come up, Sir Adam, and Mr.Lethbridge and Mr.Casselman and to a certain extent Mr.McLeod, have been urging a flat rate. They take the view that rural rates should be practically the same as other rates and that people who are in the large centres and who are nearer Niagara should pay more for their power and the farmers who are in sparsely settled districts should get the power for less than it costs them now; have you considered that question ?

SIR ADAM BECK: I think that was considered and dealt with at the inception of the whole scheme. When it

was made a municipal scheme with government control and financing; service was to be at cost, power delivered at cost to any municipality. They would assume the liability that they would incur directly in constructing their own distribution lines and indirectly financing of the Province of the transmission line or power plants that they might have to acquire to generate and transmit power to the municipalities. If they were prepared by a vote of the people to assume that liability each municipality so voted on an estimate of the cost of the power delivered to them, based of course upon the quantity of power that they might be able to use or it was deemed they would use. That was the broad principle that was imputed in the original Hydro Act the Ross Act of 1902. At that time the Province did not undertake to finance and the municipalities were obligated to issue their own bonds to cover not only the distribution system but the transmission system and twelve co-operating municipalities voted on by-laws.

THE CHAIRMAN: Those gentlemen are speaking of present conditions, not what was done in the past, but they are urging that certain things should be done in the light of recent events.

SIR ADAM BECK: There were various changes made in that system. They undertook, without consulting us, a larger scheme of transmitting this power which was very much in excess in capacity of what we might require ourselves and we were obligated to assume a portion of that and consequently that increased the cost of power. Originally the 12 municipalities voted on a 60,000 volt transmission line which was the most economical and desirable one, if we had only in mind going to Toronto and London, but if there was to be an extension of that line to Windsor, Sarnia and Goderich, it would be necessary

to transmit that power at a higher voltage to avoid line loss which would be very considerable on a 60,000 volt line. The matter was very carefully studied, I cannot recall when the municipalities were asked about it, but at the time a by-law was voted on and the Government asked for a report as to the additional cost of installing a transmission line, because at that time we were buying power and not generating it. The instalment was authorized to be made at 110,000 volts and the 12 municipalities bore that additional investment and it lessened the line loss and saved power but it was not entirely justified for the quantity of power that was used at that time. It would also enable us, if the lines were not extended, to transmit double the quantity of power to the 12 municipalities if no other municipalities joined. It was an additional liability on the 12 municipalities but it was thought considering the benefits to all the people in the Province of Ontario that we must transmit at 110,000 volts.

In the Eastern section the original schemewas to build a line from Morrisburg to Kingston, Kingston was the issue and in dealing with this matter and in hearing deputations and having their views under consideration by the Government of which I happened to be a member and the then Prime Minister himself lived very near Winchester and Chesterville and he said "Would it be possible for us to get power." These places were in his own riding but the original scheme was really to reach Kingston from the east because the company to the west was threatening to come east and take Kingston away from what we considered the St.Lawrence group. Toronto originally was prepared to undertake the development of power on its own account but the other municipalities objected to that because they said Toronto would control the power plants and Toronto could

dictate to the other municipalities just as much as a private corporation could dictate and a meeting was held at Kitchener and all the municipalities objected to Toronto doing any such thing and they said that the power should be made available to all, and a principle should be adopted that would make power ---- available to any community in the Province of Ontario at cost. We had no knowledge of what could be done in transmitting power long distances and supplying the small municipalities at a price as attractive as we can supply it today. At that time we had not any conception that we would ever reach the possibilities that we have reached in supplying small communities at great distances from the source of supply with power.

Q--The experience of Chestorville is that the cost has gone up very greatly ?

SIR ADAM BECK: Niagara power has gone up because we have been obliged to build a canal that will not only last us for today but for ten years hence, consequently the people in that ten year period will have power at a higher rate than they will have to pay ultimately. That is a matter of business. My friend there knows that you can do a very big business by advertising and spending an enormous amount of money in placing your goods on the market and that money might all be lost if the goods did not sell but if they do sell you will be rewarded for the large expenditure and you have to bear the burden until your business is established and that is what this scheme is, it is an ordinary business scheme and the product we are handling must be supplied to the people at actual cost.

Now, when you come to the point you will realize that when the distance becomes so great and the demand so small power cannot be supplied at a price that it could be supplied

at if gasoline or oil or wood or coal or fuel of any kind is used and it would pay the Government or the Commission or the municipalities to give these outlying people coal. There is a limit beyond which you cannot go. If you want to make transportation in this Province at a uniform rate and transport people from one point to another at a uniform rate then if you do that you would be justified in transmitting electricity to the people at a uniform rate.

THE CHAIRMAN: The Government carry letters from one point to another at the same rate and they ask why should not electricity be carried in the same way and we want your opinion on that point.

SIR ADAM BECK: The cost of segregating the letters and charging for them according to the distance they are carried would be so expensive that it would be easier and cheaper to make a flat rate but suppose you had a coal mine at the point where we get the white coal, at Niagara Falls, and the people all over the Province, up to North Bay or even to Hudson Bay, expected to have that coal delivered to them at a uniform rate, I do not think for a moment such a thing would be seriously considered and it is exactly the same with white coal as black coal.

MR. CASSELMAN: Niagara is not the only coal mine we have in this Province.

THE CHAIRMAN: Do you consider the system you now have is about as right as you can make it?

SIR ADAM BECK: The municipalities have established and adopted this principle and they are full partners. The Government cannot go wrong and the Government can enact legislation and repeal legislation and it has been done in very recent years, the Government can confiscate a man's house, they can take my house and land away from me by legislation and be doing no wrong but I cannot conceive of any Government without the concurrence of all the interested parties interfering with any affair in which the Province as a whole has no interest.

THE CHAIRMAN: Mr. McLeod and Mr. Casselman take the other view and they say that the Province financed the Hydro and therefore every man, woman and child in this Province has a right to be supplied with electricity.

SIR ADAM BECK: I cannot conceive of any justification the Province would have in confiscating these properties

and handing them over to other parties simply because they are loaning money. When you loan me money you may have a lien on my property, you might have a mortgage or a bond, we all have to borrow. Does the loan company tell the farmer when they have a lien upon his property that they have the right to say to him that he must grow a certain crop here and raise cattle here and have his chicken coup some place else on his property? Is it contended that because the Province has a mortgage on this system that they can interfere with the ownership of the property which the municipalities own. The taxpayers in these municipalities have to take care of the interest and all charges accruing. The Province of Ontario have loaned money upon this property and they have a lien upon the property.

THE CHAIRMAN: I am not expressing any opinion as to this matter but it has been seriously raised and we want your opinion.

SIR ADAM BECK: Mr. Casselman says that because the Province of Ontario is the banker of this concern, they can do with it as they like.

THE CHAIRMAN: That is one reason.

SIR ADAM BECK: I have not finished with that.

THE CHAIRMAN: They also say that there is an unhealthy tendency to centralize people in large communities and that the large communities are growing larger and the small communities are growing smaller and that the Province should do what it can to arrest that tendency and see that these people in the small communities get power at the same price as the people in the larger communities, that is their argument.

SIR ADAM BECK: There is no such case on record that I know of on the part of any public body or government body or private body that borrows money and has a lien upon property, that administers that property. Not only has the Province of Ontario a lieu upon this property but they

constitute the organization that operate that property, and they absolutely control that property and they can remove any member upon 24 hours notice. They are there on sufferance. They can change the personnel of that adminstration every day. The Government is the mortgagee and no loan company or banker that finances an institution or that lends money to a business, contends that they have the right to run the business. I am a considerable borrower, and we all are, and I may borrow on my promissory note or give some collateral if I have it, but in this case the Government have a mortgage upon it and they administer it and they own it and we cannot do anything to it without authority from the parent body, it is the mortgagee or banker, but the banker has no right to say to me "I am going to destroy this agreement and I am going to repeal the Act and I am going to take your property away, although you have assumed a liability in connection with it and although you have met all your obligations." The Government cannot do that, but it is for the Government to say and I am not going to say what they should or should not do.

THE CHAIRMAN: Why not? We have to tell them what they should do and we want your opinion.

SIR ADAM BECK: Mr. Gregory, you are a lawyer and you know the law.

THE CHAIRMAN: It is not a matter of law it is a matter of whether it is well to change the law.

SIR ADAM BECK: The municipalities have legal rights under their agreements and there is the legislation under which they created these liabilities. The City of Toronto has assumed a liability of $60,000,000. Let us be sensible, there is not a country in the world that I know of that subsidizes or grants a bonus to supply electricity to a user except the Province of Ontario.

MR. CASSELMAN: The farmer don't thank you for the bonus.

SIR ADAM BECK: I cannot help it if people are ungrateful but I differ from you in that.

MR. CASSELMAN: They cannot accept it with self respect.

SIR ADAM BECK: I happened to be in a township yesterday afternoon not very far from London where the people differ with you on that point, they said they were very grateful for what they had got.

There are one or two countries that have undertaken to supply electricity as a public venture, I think in Sweden and Norway, Switzerland and Germany. What we found was that in the farming communities in Switzerland they would go to a company operating in a large centre and they would buy a quantity of power and they would charge themselves with interest at 6% and pay a proportion of the cost and they would buy power at cost. We came across quite a few places in certain parts of Germany and some parts of Switzerland where the lines were publicly owned but the state in selling power usually had some profit if it was water power they charged for the use of the water.

MR. CASSELMAN: Hear, hear.

SIR ADAM BECK: Well "Hear, hear" we are paying taxes on every gallon of water we use.

MR. CASSELMAN: Not into the consolidated revenue.

SIR ADAM BECK: Excuse me, we are paying a rental on the Severn and that goes into the consolidated revenue and we pay a rental on the Trent.

MR. CASSELMAN: That is the Dominion Government.

SIR ADAM BECK: That does not matter, that is under the control of the Dominion Government.

THE CHAIRMAN: I do not see that there is very much difference between money going to the Niagara Parks Commission or to the Government, it is by legislation that

it is paid to the Parks Commission.

MR. CASSELMAN: I differ with you there, I say the Niagara Falls Park Commission should get their money from the Legislature in the budget.

THE CHAIRMAN: That is for the Legislature to say, as a matter of fact the Hydro does pay this money.

MR. CASSELMAN: How much?

MR. GABY: $230,000 a year.

SIR ADAM BECK: It does not matter what we pay, it is the rental that was fixed by the Government of the Province of Ontario when the leases were granted to the Ontario Power Company, the Canadian-Niagara Power Company, and the Electrical Development Company. You would break this agreement with the Canadian-Niagara Power Company.

MR. CASSELMAN: I certainly would as to rental.

SIR ADAM BECK: You have given them the right to use the water at Niagara Falls for 99 years and it is a subsidiary of the Niagara Falls Power Company and the moment you attempt to interfere with that you would probably find yourself with an export duty on coal into Ontario, not into Canada but into Ontario, that is probably what would happen. You cannot break an agreement with the public any more than you can with these municipalities.

MR. CASSELMAN: You can tax anything.

SIR ADAM BECK: Yes, and you are doing it pretty lively.

THE CHAIRMAN: I am sorry that you were not here when this matter was brought forward, of a flat rate, one proposition was that the price paid for the use of the water power should be substantially increased and that money should be created into a fund to reduce the cost of power in rural municipalities?

SIR ADAM BECK: I think the first money paid for the use of water power went to the Province, it was under

the Ross or Mowatt regime and that Government appointed a Parks Commission to beautify the Canadian side and they said to the Parks Commission, "You take the revenue of these rentals and beautify the park and don't ask us for any money."

THE CHAIRMAN: It is proposed now that an additional charge should be made for the use of the water.

SIR ADAM BECK: Of course the Government can do that.

THE CHAIRMAN: Do you think it would be wise to do that?

SIR ADAM BECK: That is a variation of the agreement.

MR. McBRIDE: May I ask a question? I notice that other gentlemen are allowed to interject.

THE CHAIRMAN: We want to hear Sir Adam first.

SIR ADAM BECK: The matter of rental is one thing and the matter of flat rate is another thing and we are getting away from the subject. After the Government found that the possibilities of sending this electrical zone and transmitting and distributing power to practically all parts of the Province of Ontario where there was any reasonable amount of population they were impressed. It must have been a few years after that the Government was very much impressed with the fact that something ought to be done to get the people on the farms to use electricity, thereby making farm life more attractive. The policy of good roads became a great issue and everybody was anxious that road should be improved; the motor car came in, I suppose we should say the Ford. Following that the Government adopted the policy of bonusing lines into rural districts and that is a policy that has never been adopted anywhere else in the world and I explained to the Hydro Electric Power Union at the City Hall that the Government was prepared to grant

a bonus of 30% towards the constructing and equipping of lines from central stations into rural districts. The war came on and all undertakings were directed towards helping deliver electricity for the manufacturing of war material. Then the Government that announced that policy was out in a way, members of the Government retired and another Government came in but they never rescinded that matter, they said they were always prepared to do that as soon as the war was over. Then another Government came in and they put it into effect and they passed a resolution enabling the Hydro Commission to have funds from the consolidated revenue, or call it rentals if you like, the money of the Province was used towards bonusing lines to the extent of 50% of the cost of the primary lines. I think all men who are reasonable will realize that it means a great deal to pay 50% of an undertaking of that kind. This year it will probably mean anywhere from $400,000 to $500,000. There has been a depression in value of farm products recently and farmers are not as prepared and as ready to spend money in installing the necessary wiring to make use of it and I admit there is a cessation now of power transmission maybe on that account but we are building a great many lines and we are building at the present time some three or four hundred miles of these lines, all bonused and subsidized.

THE CHAIRMAN: Do you think that bonus should be increased?

SIR ADAM BECK: I was censured not long ago for having suggested at a rural meeting that if it is not any greater than the original suggestion of one-third of the whole, it is not any greater than 40% of the other and if the finances of the Province would justify it they might make it one-half of the whole of the cost of the line, that would aid a little towards the matter, it is about one-third now, they are giving one-third of the cost of the

[illegible] rural districts. There's [illegible]

[illegible] for the [illegible] of [illegible] schools. Then the

[illegible] I understand that policy was put in force,

[illegible] rotated and another [illegible]

[illegible] but they never rescinded that matter, they said

they were always prepared to do that as soon as the [illegible]

[illegible] Government [illegible]

[illegible] have passed a [illegible] the

[illegible] passed [illegible]

[illegible] if you like, the [illegible]

[illegible] bonusing lines to the extent of 80% of the

[illegible] lines. I think all men who are reasonable

realize that it means a great deal to pay 80% of an

[illegible] this year it will [illegible]

[illegible] from $310,000 to $300,000. There has been a

[illegible]

[illegible] and an ready to spend money in fulfilling the

[illegible] willing to make use of it and I think there is a

[illegible]

[illegible] a great many [illegible]

[illegible] present time some three or four hundred miles of

[illegible], all bonused and subsidized.

THE CHAIRMAN: Do you think that barns should [illegible]

[illegible]: I was censured not long ago for

[illegible] at a rural meeting that if it is not any

greater than the [illegible] principal exemption of one-

third of the [illegible], it is not any greater than 40% of the

other and if the finances of the Province would justify it

they might make it one-half of the whole of the cost of the

[illegible], they could add a little towards the [illegible], it is easy

[illegible], they are giving [illegible] of the cost of the

whole and they might make it a half but that is not a matter of very great consequence. It is a principle that goes pretty far towards assisting rural districts to make, what we thought at the time, farm life more attractive.

THE CHAIRMAN: You think it is desirable to do that?

SIR ADAM BECK: I think bonusing has been a great incentive and I think when material and cost of construction is reduced it will become more general. We have no reason to believe that oil or coal or the other commodities that generate power are going to be much cheaper in the future, not as cheap as they have been. A few dollars is not so much, it is the installing in the rural districts that costs the money because the rural districts are sparsely settled and it is very difficult to get more than a couple of farmers per mile in any district; there is the difference. It becomes not economical and efficient when you have to pay an amount out of the public treasury, however we hope the Province is going to be rewarded in the fact that it will give our own people, born on the farm, the boys and girls of this country, an incentive to stay on the farm. That is what the Government did and it is being carried out now in a practical way, the Government can build the whole of the lines for them and give them to them. The municipalities have become primarily liable and the taxpayers in these municipalities whose homes are mortgaged were the ways and means of creating, of making available power for these rural communities, and I will giv e you the City of London as a concrete case. The City of London at the transformer station of that district, on the Hamilton Road, four and a half miles from the City's transformer sub-station has power delivered there at $19, say $20. We take that power to Dorchester, Thorndale, Belmont and into that whole district. The lines to deliver the power to these rural communities are

subsidized to the extent of half the cost of the primary lines. The people of the City of London pay for their own lines without any bonus and they build their own transmission line and they deliver power at cost to their own citizens.

COMMISSIONER HARRIS: Do you know how many miles of line they have?

SIR ADAM BECK: There is a line built for the whole community and the community is taxed for the whole cost, whereas all these other municipalities have a bonus towards their line and they buy power at the same cost at the central station on the Hamilton Road.

THE CHAIRMAN: One community pays more for it than an other.

SIR ADAM BECK: No.

THE CHAIRMAN: I mean individuals.

SIR ADAM BECK: That is because they happen to live closer together, not because they are nearer Niagara Falls, It is because they are more cheaply served.

THE CHAIRMAN: That is the reason the Government gives them that help in the outside districts?

SIR ADAM BECK: We gave them good roads and we do everything we can to help and further agriculture. Agriculture is the whole thing and we must help them and we want to make farming more attractive and therefore we have given them good roads and this is done simply and solely and absolutely by the Government; they suggested it, there is no question about that and we have put it into effect. If it had not been for the desire to keep people on the farm and to bring desirable people into the land it would not have been done, that is what it was done for. Now they all buy the power at the same price at the main station and it is an unfair statement to state that because we are nearer Niagara Falls in the City of London we secure power at a lower price. It is only because of the

conditions and that it is less expensive because we have a customer every 40 feet and that lessens the expense to the whole community. That is not the fault of the people who live in Cornwall or in Glencoe and the people up in Cobalt who do not get any of the power have to contribute towards that 50% bonus.

COMMISSIONER HARRIS: Has there ever been any estimate made by engineers as to what it would cost to build a transmission line for rural communities throughout the closely settled sections of the Province?

SIR ADAM BECK: As a general thing it would be much cheaper to install little system and buy them coal because it would cost so much in some districts where a lot of land is used for grazing or even for general farming where power would only be used for lighting purposes, it would be prohibitive.

COMMISSIONER HARRIS: If that was spread throughout the whole Province it would increase the cost of power to the municipalities.

SIR ADAM BECK: You see the fear we had at that time, we had competition originally and we only had 100,000 h.p. and if we made a uniform rate all through the Province it would cost everybody so much money that the other producers could undersell us. I know the Dominion Power and Transmission Company would not have been worried about us if there had been a uniform rate because we could have sold no power to Hamilton at all, they would have said, "We have cheaper power here" and it would be the same at Niagara Falls. Originally these companies contracted for nearly all their power and intended to contract right at the Falls because it took less capital to sell it that way. The Carbide Company at the Falls takes 100,000 h.p. and other companies there take enormous quantities of horsepower

and they are able to finance the power proposition and if they were to say we are going to go all over the State of New York on a flat rate, I do not know how they would ever finance it, no company could do it. They are there to compete.

I want to tell you that one of the biggest things we had to overcome was the Niagara District. Mr. Adam Fraser and other members of the House at the time came up here and I was pretty well lectured up and down for taking Niagara power away from the Falls, they said it was their own power.

COMMISSIONER R.A. ROSS: Supposing the Government carried it to a logical conclusion and supplied the rural communities with the whole cost of the line, you would still have people outside the economic limit who could not be supplied, you would be giving a bonus to a certain section of the Province and the rest of the Province would be outside of that.

SIR ADAM BECK: If you want to keep people on the farm you can keep them on your land, it is worth $1,000 an acre because they are adjacent to the big markets and these people do not care a button what they pay for vegetables because they belong to a well to do class and they make their land valuable to the extent of a thousand dollars an acre. I could do the same thing at London, where we have just as good soil if you would pay the freight on my produce from London to Toronto.

MR. CASSELMAN: Land is worth a thousand dollars an acre in Essex and Kent.

SIR ADAM BECK: Yes, because they grow tobacco there.

COMMISSIONER HANEY: How was Hydro financed prior to 1916, was it by Hydro bonds guaranteed by the Government?

SIR ADAM BECK: No, we never issue a bond except when we buy a power plant.

COMMISSIONER HANEY: I mean the lines?

SIR ADAM BECK: The Hydro never built transmission

lines on their bonds, that money was furnished directly out of the Treasury of the Province originally.

Originally the line from Niagara Falls for the 12 municipalities was built at a cost of about $4,000,000. The Government supplied that money at 4% and they borrowed it for 3.85 and they gave it to the municipalities at 4% and I think they have 30 years in which to pay it back but the municipalities financed all the distributing systems. Toronto really had more money to spend than we did for lines for the 12 municipalities.

COMMISSIONER HANEY: I am only dealing with the transmission lines and the development of power for the municipalities, it has grown to such a large extent as compared with the original investment, has that in your opinion changed the general situation as far as the Province is concerned ?

SIR ADAM BECK: I think there is one mistake you ask me candidly for my personal opinion, you hear the general talk now and these matters are discussed as between the people, it is said the Province has now a liability of so many million dollars whereas prior to 1914 they only had so many million dollars. I do not look upon monies invested in Hydro as a liability in that sense at all. The liability on the part of the Province is usually money that has been expended in public institutions, highways and public works, drainage and so on, these things are not self-sustaining and there is no revenue from them.

COMMISSIONER HANEY: We will shorten this up so as to get to the point I want to make and that is that the investment we will say at Niagara is $150,000,000.

SIR ADAM BECK: The Province has not got much over $100,000,000, the municipalities have $100,000,000 invested.

COMMISSIONER HANEY: It will come up when you finish Chippawa and take in the Ontario plant ?

SIR ADAM BECK: They did not finance it, there is no financing there at all by the Province, there is no money loaned on that.

COMMISSIONER HANEY: The Government is really behind this large investment, does that change the situation so far as getting nearer a flat rate ?

SIR ADAM BECK: I take exception to that, the Government is not behind it at all.

COMMISSIONER HANEY: Has the Government gone beyond what it did when the 12 municipalities were originally in the matter ?

SIR ADAM BECK: I am trying to explain to you that the Government has not got any investment in the electrical development company, they have not borrowed a dollar, the municipalities as long as they are solvent pay the bills, they are the people who pay and not the Province.

COMMISSIONER HANEY: Theoretically ?

SIR ADAM BECK: No, not theoretically, actually.

THE CHAIRMAN: Take things just as they are, the obligations of the Government have very largely increased, does that change the situation.

SIR ADAM BECK: Absolutely no, it has nothing to do with the policy or the principle involved in this whole scheme. You cannot change or alter the agreement because you are lending one hundred million dollars any more than you could change the principle or policy of a company to whom you loaned $100,000,000. I do not know that the Government anticipated that we would ever undertake the Hydro scheme. It was anticipated that nothing would happen; it was thought the municipalities would be frightened and we could not carry the by-laws. I cannot see now gentlemen why the bonds should not be issued by the Hydro, we would sell the bonds.

THE CHAIRMAN: Would you make the bonds a charge on the undertaking they went into ? A---Yes, it is now, it is an absolute lien on the property, the Government has a lien.

THE CHAIRMAN: It is not a charge upon the undertaking to the extent of a bond issued by a manufacturer ?

SIR ADAM BECK: I borrow money from a bank and I do not give a lien upon my property but in this case you have a lien upon the whole thing.

THE CHAIRMAN: When a railway issues a bond the bond is made a direct charge upon the undertaking and I think in the original Act of 1903 it was contemplated that the bond should be a charge ?

SIR ADAM BECK: Any bond you sell is a mortgage upon the property.

THE CHAIRMAN: No, Hydro bonds are not.

SIR ADAM BECK: Under the Hydro Radial Railway Act the bonds are a charge upon the property.

THE CHAIRMAN: If they were not paid the people who hold the bonds could not take action to sell the property ?

SIR ADAM BECK: Yes, because they are declared to be a mortgage the same as any mortgage to all intents and purposes, not only that but the municipality is obliged to deposit its own bonds as collateral.

THE CHAIRMAN: You would not suggest any change as to the security ?

SIR ADAM BECK: Yes.

THE CHAIRMAN : Except you would have the Hydro issue the bonds and the Government guarantee them ?

SIR ADAM BECK : We have agreements with the municipality, and it is permitted to take all the power that it requires; and they undertake that if there is a shortage to pay it out of their taxes.

THE CHAIRMAN : Would you suggest that the municipalities should issue their own bonds ?

SIR ADAM BECK : They might, that is immaterial.

THE CHAIRMAN : That would make quite a difference in marketing ?

SIR ADAM BECK : They are liable. You say there is a great big burden of debt upon the Province of Ontario, indirectly there is, but there are assets for it all. We have bought out all these companies and we have established a monopoly almost, and as long as there is electricity to sell we know we can get the price of the cost of getting it. If we had continued on the old prices we would have paid the total debt off by this time. If we issued our own bonds guaranteed by the Province it would not be a direct liability and the Province would not need to advance.

THE CHAIRMAN : The Province would be liable, it would affect their credit.

SIR ADAM BECK : Indirectly.

THE CHAIRMAN : Is there anything you want to bring up after hearing Sir Adam's statement ?

MR. CASSELMAN : He would not allow me to bring these matters up when we were dealing with them, I do not know whether I can now.

THE CHAIRMAN : You have an opportunity now.

MR. CASSELMAN : If I understand Sir Adam's view of the liability it is that the Province has no direct financial

commitment and runs no financial risks.

SIR ADAM BECK : I say they have a lien upon all the property, and the municipalities have a monopoly; and the Province of Ontario being financially very strong and the taxpayers being liable for any deposit -- and we have had an experience now of 13 years and not one municipality has defaulted -- therefore I do not see that the danger in the investment is very great.

MR. CASSELMAN : I may be wrongly informed but I have the impression that you recommended that the Government should assume the loss in connection with the Nipigon plant of a thousand dollars a day ?

SIR ADAM BECK : Do you want that explained ?

THE CHAIRMAN : I think you had better not go into the Nipigon matter now.

SIR ADAM BECK : He says if you do it there you ought to do it here.

MR. CASSELMAN : I say if the original liability exists there it exists in all the undertakings, so that the Province does take a financial risk when it advances money for the purpose.

SIR ADAM BECK : I do not agree with you at all.

MR. CASSELMAN : Your experience in the Nipigon matters is that they have defaulted ?

SIR ADAM BECK : No, my experience in the Nipigon development is that the Government are to blame, that the customer they told us to build for and that we were directed to build for has not materialized.

MR. CASSELMAN : What difference does it make who is to blame ?

SIR ADAM BECK : The City of Port Arthur has made good.

THE CHAIRMAN : Excuse me, we won't go into that matter at all.

SIR ADAM BECK : I don't want to talk about it.

MR. CASSELMAN : It was the natural outcome.

SIR ADAM BECK : No, and I cannot understand why you should say there is a loss of $1,000 a day on the Nipigon Development.

THE CHAIRMAN : That might be a matter of difference of opinion, we have to make our finding on the evidence we have before us.

SIR ADAM BECK : If you are going to ask me questions and have me explain your way of looking at it I think I will have to ask some questions.

COL. MALLOY : I would like to come down to the Dundas system and ask Sir Adam Beck a question as to co-operation.

MR. CASSELMAN : I want to have my question answered, I consider it was a proper one, but you seem to rule against me.

THE CHAIRMAN : No, I did not rule against a proper question, I rule against going into a discussion of the Nipigon matter because I don't know where it would end, we have spent days over it already.

MR. CASSELMAN : Sir Adam maintains that we must not violate contracts. If the Government in the past have given away valuable public assets and alienated them from the people and deprived a very important section of the Province of their share of the benefits --

THE CHAIRMAN : Are you speaking of water powers ?

MR. CASSELMAN : Yes, and if that is the case these water power agreements should be modified and it would be quite proper to do it. If it is not right for the Government to violate agreements it is no more right for the Hydro Electric Power Commission to do so and I maintain they have done that in the case of Winchester and Chesterville.

SIR ADAM BECK : Is this a question you are putting

to me ?

MR. CASSELMAN : I do not know whether it is a question or not but I am merely saying that is the case.

SIR ADAM BECK : There is a gentleman over there who wished to ask a question and you said you wanted to ask a question first.

MR. CASSELMAN Then there is another point.

SIR ADAM BECK : Let me answer that first. We have 22 water powers or 23, 21 of these were bought outright from private companies, not from the Government, there are only two, Niagara and Nipigon, that belong to the Crown, so that you have nothing to say about the 20 odd that we bought from private interests. In the last year water powers have been rented or leased, large ones, at 50¢ a h.p. I understand that although we were asked to pay $1 on the Nipigon that the rental will be fixed ultimately at 50¢ and I do not see how they can do otherwise when large water powers have been leased at the same price to private interests.

MR. CASSELMAN : Would it be an act of public immorality to say we want a revenue from our water powers greater than we are getting and we are going to tax them at $2 ?

SIR ADAM BECK : Private or public ? There would be no more harm in doing that than there would be to say to a large corporation that is cutting timber, "We are going to double the tax or rental on cutting dues on all the timber out in the Province of Ontario". I think you would consider that rather arbitrary.

MR. CASSELMAN : I would like to know how Sir Adam justifies taking power from Cedar Rapids Power Company at Cornwall and transmitting it to Chesterville and Winchester, at a distance of 50 miles and charging us with the cost of that transmission when we have power at our doors and can get it for about half the money.

SIR ADAM BECK : Just for the same reason that originally the 12 municipalities in the Niagara system had power at $9 a h.p. Up until a year ago that power would have been sufficient to supply them all, I don't know whether it would be today. That power has been in existence for 13 years. They then made a contract for $12 power and it was only because we went to Windsor and Chatham and rural districts and villages that the cost of power has gone up because we have had more expensive power to contend with.

COMMISSIONER HANEY : Those municipalities penalized themselves ?

SIR ADAM BECK : No, the policy was that we must sell it where a municipality will take it at cost, they could not help themselves, as long as we have power we must supply it to a community that will take on the liability. It just so happens that this small quantity was cheap but as soon as Chesterville and Winchester exceeded the supply I think they would be ready to pay cost.

THE CHAIRMAN : Do you want to ask any further questions?

MR. CASSELMAN : No, I do not get satisfaction.

SIR ADAM BECK : Don't give up in that way and say you cannot get satisfaction.

MR. CASSELMAN : I am perfectly prepared to ask you a straight question.

COL. MALLOY : You know the situation in Dundas County pretty thoroughly, your Commission prepared a contract to supply power at cost; the Beach Company is building a rural line 18 miles or so out and we will be prepared to offer power for these places at $45, would you be prepared to co-operate with the Beach Power Company in giving the County of Dundas and possibly Stormont a firstclass service based on the Beach plant supervised by your Commission, would you be prepared to co-operate ?

SIR ADAM BECK : My dear man, I never knew a case yet in which we have not tried to co-operate and administer the affairs of the Commission as we thought in the interest of everybody concerned, and we have been rather complimented for doing that. There may be other things that offset what you say, but if we have not looked into it fully and thoroughly we certainly will; we have made contracts with small concerns in the past and many of them fell down. Around Oakville district certain farmers want electricity, but you cannot ask a private company to build to supply them. However you may rest assured that if you ask for engineers to get full particulars the engineers will consider it and try to meet your wishes, but I cannot tell you offhand because I do not know the particulars, at least I have not them in my mind at the present time, but I know something about it and I know they are building a line or want to build a line;but we will take the matter up.

COL. MALLOY : That is all we want, to take it up and enter into a discussion on it and I think you will discover that it will be a tremendous relief to the people. The people now say they won't take power from Mr. Beach because he is going to sell out to the Hydro and they are afraid of Hydro prices.

MR. CASSELMAN : I made that offer in writing a year ago and I never got an answer to it.

THE CHAIRMAN : Sir Adam now says he is ready to consider the matter.

COL. MALLOY : I thank you very much, Sir Adam.

SIR ADAM BECK : We would not be censured for not answering a letter, there may have been something overlooked.

MR. JEFFERY : I think it was a different proposition altogether.

SIR ADAM BECK : You are welcome day and night at our

office and we will sit up at night to give you all the information you require.

MR. GASSELMAN : I carried the matter down and placed it on the table at a meeting where you were present.

THE CHAIRMAN : You have heard the invitation and you and Col. Malley can go over and discuss the matter. Is there anything else ?

MR. GASSELMAN : No, sir.

THE CHAIRMAN : Anything you wish to say, Sir Adam ?

SIR ADAM BECK : I would like to give you some information on Port Arthur and get you in right there, but you are all getting hungry.

(Adjourned at 6 p.m. to meet at Guelph, Ont., on the 9th November, 1922, at 9.30 a.m.)

---

offices and we will sit up at night to give you all the information you require.

MR. GARSTEMAN : I carried the matter down and placed it on the table at a meeting where you were present.

THE CHAIRMAN : You have heard the invitation and you and Col. Malloy can go over and discuss the matter. Is there anything else ?

MR. GARSTEMAN : No, sir.

THE CHAIRMAN : Anything you wish to say, Sir Adam ?

SIR ADAM BECK : I would like to give you some information on Port Arthur and get you in right there, but you are all getting hungry.

(Adjourned at 6 p.m. to meet at Owelph, Ont., on the 8th November, 1922, at 9.30 a.m.)
